



LEP (2025-26)
Class : 10+1
Subject: Business Studies



1. BUSINESS, TRADE AND COMMERCE

Multiple Choice Questions

1. **Economic activities relate to :**
(a) Production of wealth (b) Social relationship
(c) Helping the society (d) Growth of business
 2. **Non-economic activities are taken up to :**
(a) Satisfy human wants (b) Satisfy social needs
(c) Earn profit (d) Increasing public awareness
 3. **Primary aim of a business is to :**
(a) Help its employees (b) Help society
(c) Earn profits (d) Control process
 4. **A person working for a salary is covered under :**
(a) Business (b) Employment
(c) Profession (d) All of these
 5. **Which economic activity prescribes qualifications and training :**
(a) Employment (b) Business
(c) Profession (d) None of these
1. (a) 2. (b) 3. (c) 4. (b) 5. (c)

Fill in the Blanks:

1. Supply of quality goods is a objective.
 2. Welfare of employees is a objective.
 3. Business means exchange of goods and services for mutual
 4. Trade is the process of taking goods from to customers.
 5. Hindrance of knowledge is removed with the help of
1. social 2. Human 3. benefit 4. producers 5. Advertisement

TRUE or FALSE

1. A person engaged in social work is an employment.
 2. Same activity can be economic activity as well as non-economic activity.
 3. Purchase of raw materials by a manufacturer is a trading activity.
 4. Providing banking services is an aid to trade.
 5. Creating markets for a business is a human activity.
1. (F) 2. (T) 3. (F) 4. (T) 5. (F)

One Word to One Sentence Answer Questions

1. **Classify human activities**
Ans. (i) Economic activities (ii) Non-economic activities
2. **Define economic activities.**
Ans. Economic activities refer to activities undertaken to earn a living.
3. **Mention main economic activities.**
Ans. (i) Business (ii) Profession (iii) Employment.
4. **What is meant by non-economic activities ?**
Ans. Non-economic activities refer to those activities which are pursued for social, religious, cultural, psychological or sentimental reasons.
5. **What is the end result of non-economic activities ?**
Ans. To satisfy mental or emotional needs.

SHORT QUESTION ANSWERS

1. **State the meaning of economic activities.**
Ans. Activities related to the production and distribution of goods and services either for own consumption or for sale at profit are known as economic activities.
2. **What are non-economic activities ?**
Ans. These are the activities which are pursued because of social, religious, cultural, psychological or sentimental reasons. Non-economic activities are taken for self satisfaction and not for profit.
3. **State the meaning of profession.**
Ans. A profession is an occupation which involves rendering of personal service of a specialised nature. The service is provided for a professional fee charged from the client.
4. **State the meaning of employment.**
Ans. When a person undertakes to render personal service under an agreement of employment, he is said to be in employment. This service is provided for a salary or wages.
5. **What is meant by business ?**
Ans. Business may be defined as an activity concerned with the production and exchange of goods and services with the objective of earning profits. The activities connected with manufacturing, trading, transport, banking, insurance, warehousing, finance, advertising form a part of business.
6. **What is meant by secondary industries ?**
Ans. Secondary industries are related to the processing of raw materials which have already been produced by primary industries. For example mining of iron ore is a primary industry, manufacturing of steel is a secondary industry.
7. **What are consumer goods ?**
Ans. These are the goods which are directly consumed by the customers. For example, bread, soap, oil, toothpaste.
8. **Explain the meaning of industry.**
Ans. Industry refers to an activity which converts raw materials into useful products. It involves changing of form from raw materials into finished goods. The goods produced may be consumer goods and producer goods. Industries are also related to rearing and reproduction of animals or other living species. The term industry is also used to refer to a group of firms similar or related goods. Certain services such as banking, transport, insurance etc. are also referred to as industry.
9. **What do you mean by processing industry ?**
Ans. In this industry a product passes through various processes to become a final product. The finished product of one process becomes the raw material of the receiving process and soon, the final process produces the finished goods. In case of cotton textiles, cotton passes through ginning, weaving and dyeing processes to become cloth. Sugar industry and paper industry are other examples of processing.
10. **State the meaning of commerce.**
Ans. Commerce refers to all those activities which are necessary to bring goods and services from the place of their origin to the place of their consumption or use. Commerce includes two types of activities, viz., (i) trade, and (ii) auxiliaries or aids to trade. Buying and selling of goods and services is termed as trade. A number of activities are required to facilitate this exchange. These activities are called auxiliaries or aids to trade, and include transport, banking, insurance, communication, warehousing, packaging, advertisement, etc. The aids to trade remove various hindrances between producers and consumers.
11. **What is meant by genetic industries**
Ans. Genetic industries are related to the re-producing and multiplying of certain species of animals and plants with the object of earning profits from their sale. Nurseries, cattle breeding, fish, hatcheries are some examples of genetic industries. The plants are grown and birds and animals are reared and then sold on profit.
12. **State auxiliaries or aids to trade.**
Ans. In the course of exchange of goods, a number of problems are faced. These problems may be regarding transport of goods, financing, insurance, warehousing etc. All these problems are overcome with the help of various agencies known as auxiliaries or aids to trade. The hindrances in the way of smooth trade may be place, person, finance, time, knowledge and risk and these are removed by the aids to trade.

2. SOLE-PROPRIETORSHIP

Multiple Choice Questions

- Sole-proprietorship business can be started by :**
(a) One person (b) Two persons
(c) Seven persons (d) Any number of persons
 - The liability of a sole-proprietor is :**
(a) Limited (b) Unlimited
(c) Limited to investments (d) Limited to profits
 - A sole-proprietor and his business are :**
(a) Different entities (b) Same entity
(c) None of the two (d) Independent entity
 - A sole proprietor business can be formed :**
(a) With ease (b) With many legal formalities
(c) With limited legal formalities (d) None of these
 - A sole proprietor can :**
(a) Add partner for help (b) Add servant for help
(c) Partner and servant both (d) None of these
- Ans: 1. (a) 2. (b) 3. (b) 4. (a) 5. (b)**

Fill in the Blanks:

- A sole trader has liability.
 - legal formalities are required to start a sole proprietorship.
 - Sole trade business is started by person/persons.
 - A sole proprietor can make investments.
 - A sole proprietor can have control over his business.
 - A sole proprietor bears risks of the business.
 - A sole proprietor business has continuity.
- 1. Unlimited ; 2. No ; 3. one ; 4. limited ; 5. better ; 6. all ; 7. uncertain;**

TRUE or FALSE

- A sole-proprietor has limited liability.
 - No legal formalities are required to start a sole proprietary business.
 - Sole-proprietory business can be started very easily.
 - Sole-proprietory business can be expanded to any limit.
 - Sole-proprietorship is the oldest form of organisation.
- 1. (F) 2. (T) 3. (T) 4. (F) 5. (T)**

One Word to One Sentence Answer Questions

- Name the law under which sole-proprietory business is established.**
Ans. There is no law to regulate this business.
- Does a sole-proprietor has separate legal entity from his business ?**
Ans. Sole-proprietor and his business are the same, there is no separate legal entity.
- Has a sole proprietor accessibility to customer ?**
Ans. Yes, there is direct accessibility to customers.
- What are the legal formalities to form a sole-proprietory business ?**
Ans. There are no legal formalities.
- Is there a delay in decision making in sole-proprietory business ?**
Ans. Decision making is quick in this business.
- Is sole-proprietory business suitable for large scale business ?**
Ans. No, it is suitable for small business only.

SHORT QUESTION ANSWERS

- What is meant by unlimited liability of a sole-proprietor ?**
Ans. The liability of a sole-proprietor is unlimited. The liabilities of the business can be met out of the personal assets of the sole-proprietor if assets of the business are not sufficient to meet the liabilities.
- Is the continuity of a sole-proprietory business certain ?**

Ans. The continuity of a sole-proprietory business is not certain. The business may end when sole-proprietor is not able to run the business due to certain reasons.

3. How can sole-proprietor business is started ?

Ans. A sole-trade business is such a form of organisation which requires no formalities to set it up. An individual can start a business whenever he likes. The first thing to be decided is the selection of a particular line of business. The demand for the product and the supply of various materials required have to be taken into account while setting up a business.

4. State five benefits for starting a sole trade business.

Ans. (i) It is the easiest form of business to start.

(ii) A sole trader can control the business properly.

(iii) He can keep his business secrets to himself.

(iv) It is easy to raise finances since the liability of the proprietor is unlimited.

(v) Decision-making is very easy.

5. Name four disadvantages of sole-proprietorship.

Ans. (i) A sole-proprietor has limited resources.

(ii) The liabilities of a sole-proprietor are unlimited and his personal property may be used to pay business liabilities.

(iii) Large scale economies cannot be availed by a sole-proprietor.

(iv) There is an uncertainty over the continuity of this business.

3. JOINT HINDU FAMILY BUSINESS

Multiple Choice Questions

1. **A Joint Hindu Family firm can be established on the basis of :**
(a) Ancestral property (b) Contributions of members
(c) Joint property held by persons (d) All of these
2. **Who becomes Karta is Joint Hindu Family.**
(a) Eldest male member (b) Eldest member
(c) Anybody through consensus (d) Elected by members
3. **The liability of co-parceners is :**
(a) limited (b) unlimited
(c) limited to their share (d) Limited to profits
4. **The membership in a Joint Hindu Family is :**
(a) By acquiring (b) By birth
(c) By contributing to family (d) By associating with family
5. **Who takes decisions in a Joint Hindu Family :**
(a) Consensus (b) All members
(c) Karta (d) Senior members

1. (a) 2. (b) 3. (c) 4. (b) 5. (c)

Fill in the Blanks:

1. The liability of Karta in Joint Hindu Family firm is
 2. A minor become a member of Joint Hindu Family.
 3. The management of joint Hindu Family is
 4. The Joint Hindu Family is governed by
 5. The ownership rights of members of Joint Hindu Family firm are
1. Unlimited 2. Can 3. Centralised 4. Hindu Succession Act 5. equal

TRUE or FALSE

1. Ancestral property is different from acquired property in Joint Hindu Family.
2. The liability of co-partners is unlimited.
3. Mitakshara School of Hindu thought applies in West Bengal and Assam.
4. A senior most member of a Joint Hindu Family becomes Karta.
5. Joint Hindu Family Firm suffers from limited resources and managerial talent.

1. (T) 2. (F) 3. (F) 4. (T) 5. (T)

QUESTION ANSWERS

Q. 1 Give Six merits of Joint Hindu Family Business

1. **Centralised Management.** The management of a Hindu joint family firm is centralised in the hands of one person known as 'Karta'. He being the eldest and most experienced person gives a very disciplined management. Karta takes all decisions and gets them implemented with the help of other members. He may be managing rightly or wrongly, no other member interferes in his management.
2. **Utmost Secrecy.** The business requires secrecy regarding it. As in Joint Hindu Family firm only karta is to manage the entire show. He can do it with utmost secrecy which no other business can maintain, he can keep a thing secret even from the members of the firm.
3. **Quick Decisions.** In Joint Stock Company, it takes a long time to take a decision. A quick decision is of great advantage. Sometimes a very profitable venture is lost due to lack of quick decision. In Joint Hindu Family firm, as karta is the only decision-maker, he can take a very quick decision. It is further advantageous that the decision is final and unchallengeable.
4. **Credit Facilities.** For every business money is required. In Joint Hindu Family firm the more credit facilities are available. One reason for this is that the liability of the karta is unlimited. There is also a pious obligation on the part of family members of karta to satisfy even the unsatisfied debts raised by him during his life time. Moreover, karta is having personal relations with others, which are also helpful in raising credit.
5. **Economy.** In a business, for its success, economy is a must. It is well balanced and maintained in Joint Hindu Family firm. The family is concerned with profits as they are to form the part of joint family property. Karta spends money with great caution and economy. This is also due to the constantly hanging sword of partition of family on the neck of karta.
6. **Limited Liability of Co-parceners.** The liability of all the members of the family firm is limited to their undivided shares in the property of the family. However, karta's liabilities are unlimited. This is also a great advantage of Joint Hindu Family firm.

Q. 2 Give four limitations of Joint Hindu Family Business

1. **No Reward for Efficiency.** All the members of the family are provided with basic needs and other facilities. The persons who work more efficiently and dedicatedly are not rewarded for their work. So efficient workers are also tempted to work less. It encourages laziness on the part of family members. The members try to avoid work.
2. **Limited Capital.** The investments are limited only upto the resources of one family. They may not be sufficient to meet business requirements for expansion. This is great disadvantage these days, when big industries are being encouraged.
3. **Limited Managerial Skill.** Only the eldest member of the family is to manage the family business. He/she is performing all the functions of the management. He may not be well conversant with the knowledge of business skill and other problems of the business management. In spite of this he is managing and continues to manage the business of Joint Hindu Family firm.
4. **Suspicion.** The karta is empowered with vast power of secrecy and he can keep a thing secret even from its members. But there is no restriction on him that he cannot disclose anything to any person with whom he is having more love. This gives birth to suspicion among the members themselves which can be disastrous for the Joint Hindu Family.

4. PARTNERSHIP

Multiple Choice Questions

1. **Partnership can be started by atleast :**
(a) One person
(b) Two persons
(c) Three persons
(d) Twenty persons
2. **Liability of partners is :**
(a) Unlimited
(b) Limited
(c) Limited to Capital
(d) Limited to share of profit
3. **Which of the following can be a partner ?**
(a) Company
(b) Firm
(c) Individual
(d) A society
4. **Which is the basic document of partnership ?**
(a) Articles of Association
(b) Prospectus

- (c) Partnership Deed (d) Agreement
5. **Registration of Partnership is :**
- (a) Compulsory (b) Optional
- (c) Not required (d) None of the two
1. (b) 2. (a) 3. (c) 4. (c) 5. (b)

Fill in the Blanks:

- Partnership deed can both be or in writing.
 - The liability of partners in limited in
 - Partners have authority to wind the firm by their acts.
 - The dissolution of a partnership may not lead to dissolution of
 - The resignation of a partner leads to dissolution of
1. oral; 2. limited liability partnership; 3. implied; 4. firm; 5. partnership.

TRUE or FALSE

- A partnership deed in writing is compulsory.
 - Partners cannot increase the clauses of partnership deed.
 - Liability is unlimited in general partnership.
 - Limited partnership is prevalent in India.
 - The partners can bind the firm by their acts.
1. (F) 2. (F) 3. (T) 4. (F) 5. (T)

One Word to One Sentence Answer Questions

- Is registration of partnership compulsory ?**
Ans. No
- Is written agreement among partners essential ?**
Ans. No
- In the absence of agreement for sharing of profits among partners how will the profits be distributed?**
Ans. Equally
- Can partners bind the firm by their acts ?**
Ans. Yes
- Can partners ask for interest if they contribute more capital than their share:**
Ans. Yes, 6% p.a.

SHORT QUESTION ANSWERS

- Define Partnership.**
Ans. Partnership is a form of organisation where two or more persons join hands to start a business. The persons joining the business are called partners. It is the outcome of contractual relationship among persons coming together. Partners contribute capital or services and the business is carried on behalf of all of them. The business may be conducted by any or all and their liabilities are unlimited.
- Is the registration of partnership compulsory ?**
Ans. The registration of partnership is not compulsory under Indian Partnership Act. There are certain privileges which are allowed to those firms which are registered. Unregistered firms cannot get those benefits. To avail of certain advantages under law, the firm must be registered with the Registrar of Firms of the state.
- What is Partnership Deed ?**
Ans. Partnership is based on mutual understanding among partners. It arises out of a contract among partners. The terms and conditions settled among partners may be brought out in writing. A partnership deed is a written document which gives name of the firm, names and addresses of partners, their shares in profits, capital contributions by them, distribution of work among them etc. A written deed avoids disputes and misunderstandings among partners.
- What is the meaning of limited partnership ?**
Ans. In limited partnership, there are two classes of partners i.e. special and general. The liability of general partners is unlimited, but liability of special partners is limited. The special partners only invest money and do not take interest in day-to-day activities. The special partners cannot bind the firm and other partners by their acts.
- What is the doctrine of implied authority ?**

Ans. The doctrine of implied authority binds the firm by the acts of partners. A partner can purchase, sell goods on behalf of the firm, may borrow money or pledge the property of the firm on behalf of the firm. Since a firm is not a person, the acts of the partners become the acts of the firm.

6. Who is a sleeping partner ?

Ans. A person who contributes capital, shares profits and contributes to the losses of business but does not take part in the working of the concern. A sleeping partner cannot bind the firm to third parties.

7. Name two rights of a partner.

Ans. (i) Every partner has a right to take part in the conduct of business.

(ii) The partners have right to inspect books of accounts.

8. State five characteristics of a partnership.

Ans. (i) It is an association of two or more persons.

(ii) The liability of partners is unlimited.

(iii) Partnership can only be to carry out some business.

(iv) Partnership is carried on under utmost good faith.

(v) Partners and partnership are one.

9. Who is a nominal partner ?

Ans. A nominal partner is one who lends his name to the firm. He does not contribute any capital nor does he shares profits of the business. He is known as a partner to third parties. A nominal partner is liable to those third parties who gave credit to the firm on the assumption that he is a partner.

10. Which is an ideal partnership ?

Ans. An ideal partnership is a word used for a successful business. It is a business where all the partners work honestly and for a common purpose. There is a perfect understanding among partners and they work in harmony. The partners should be able to manage all business activities effectively.

11. Under what circumstances partnership is suitable ?

Ans. A partnership is suitable under following circumstances.

(i) When capital and managerial requirements are more.

(ii) It is suitable for small and medium scale concerns.

(iii) Where direct contact with customers is essential.

5. CO-OPERATIVE SOCIETIES

Multiple Choice Questions

1. Membership of a co-operative organisation is :

- | | |
|-------------------------------------|--------------------|
| (a) Compulsory | (b) Voluntary |
| (c) Automatic for society residents | (d) Recommended by |

2. Main motive of a co-operative organisation is to :

- | | |
|------------------------|---------------------|
| (a) Earn profits | (b) Increase sales |
| (c) Service to members | (d) Expand business |

3. A co-operative sells goods on :

- | | |
|-------------------------|----------|
| (a) Credit | (b) Cash |
| (c) Cash as well credit | |

4. Consumer co-operatives generally sell :

- | | |
|---------------------------|----------------------|
| (a) Essential commodities | (b) Comfort goods |
| (c) Luxury goods | (d) Electronic goods |

5. Producer co-operatives are established for the benefit of :

- | | |
|---------------------|------------------|
| (a) Consumers | (b) Distributors |
| (c) Small producers | (d) All of these |

1. (b) 2. (c) 3. (c) 4. (a) 5. (c)

Fill in the Blanks:

1. Primary motive of a co-operative is
2. The membership of a co-operative is
3. Co-operative have management.
4. In co-operative, joint farming society land is
5. Co-operatives have neutrality.

1. service

2. open

3. democratic

4. pooled

5. religious

TRUE or FALSE

1. Membership of co-operatives is voluntary.
2. Co-operatives may extend credit facilities to members.
3. A co-operative society needs registration.
4. Consumer co-operatives are meant for lower and middle class.
5. A co-operative membership cannot exceed 500.

1. (T) 2. (F) 3. (T) 4. (T) 5. (F)

One Word to One Sentence Answer Questions

1. **Which form of organisation has political and religious neutrality ?**
Ans. Co-operative organisation.
2. **What is the voting pattern in co-operative organisation ?**
Ans. One person, one vote
3. **Which organisation is established with service motive ?**
Ans. Co-operatives
4. **Name the co-operative which helps weaker sections of society in getting essential requirements ?**
Ans. Consumer Co-operatives
5. **Name the co-operative which helps low and middle group people to get houses ?**
Ans. Housing co-operatives

SHORT QUESTION ANSWERS

1. What is the main objective of a co-operative organisation ?

Ans. The main objective of co-operative movement is 'how to protect economically weaker sections of society. The co-operatives are run on voluntary membership and mutual help principles.

2. What are producer co-operatives ?

Ans. The societies are established for the benefit of small producers who find it difficult various factors of production and also face marketing problems.

3. What is the aim of housing co-operatives ?

Ans. These societies aim to help people to own their houses. The societies arrange land, plots and cheap loans to members for constructing houses.

4. What is the main idea of starting Co-operatives Societies.

Ans. The idea to start co-operative societies was to help consumers in getting goods at reasonable prices and save them from exploitation of shopkeepers. A co-operative society is formed for the benefit of members and the goods are sold at minimum profit.

5. State two characteristics of a co-operative society.

Ans. (i) A co-operative society has a voluntary membership.

(ii) After registration, the society becomes a separate legal entity.

6. Name two limitations of a co-operative society.

Ans.

(i) The resources of a co-operative society are limited since contribution from members is limited.

(ii) The managerial talent of members is limited, so co-operative societies are generally managed by unprofessional people.

7. State five principles of a co-operative organisation.

Ans. (i) It is a voluntary organisation of members.

(ii) It has political and religious neutrality.

(iii) It is run on democratic lines.

(iv) Every member has one vote irrespective of shares held by him.

(v) The aim is to serve the members and not to earn profits.

8. What are consumer co-operatives ?

Ans. The consumer co-operatives are voluntary associations to protect members from profit-hungry businessmen. The members elect office bearers to supervise day to day activities of the society. The societies make bulk purchases from producers and sell the goods to members on retail basis. The societies charge small profits to cover administrative costs.

6. JOINT STOCK COMPANY

Multiple Choice Questions

- What is the legal status of a joint stock company under law :**
(a) An artificial person (b) A recognised enterprise
(c) A profit earning association (d) None of these
 - A company is created :**
(a) For social service (b) Increasing industrialisation
(c) For earning profits (d) For helping others
 - Shareholders and the company are :**
(a) Separate (b) Same
(c) Different (d) None of these
 - The liability of shareholders is :**
(a) Unlimited (b) Limited
(c) Decided at the time of winding up (d) Limited to profits
 - The shares of a company can be transferred :**
(a) With permission of company (b) Consent of Board of Directors
(c) On discretion of shareholders (d) None of these
1. (a) 2. (c) 3. (a) 4. (b) 5. (c)

Fill in the Blanks:

- The liability of shareholders of a public company is
 - A private company can be started by members.
 - members can form a public limited company.
 - A private company invite public for subscription of shares.
 - A company becomes a separate legal entity only after getting a certificate of
 - A company has a separate entity.
 - A company is an person.
 - A company formed under the Act of Parliament is called a company.
1. Limited 2. two 3. Seven 4. Cannot 5. Incorporation 6. legal 7. artificial 8. statutory

TRUE or FALSE

- A public company can be started with seven members.
 - A private company cannot have more than 20 members.
 - There is no restriction on transfer of shares of a private company.
 - A company has a separate legal entity.
 - The liabilities of shareholders of companies are unlimited.
1. (T) 2. (F) 3. (F) 4. (T) 5. (F)

One Word to One Sentence Answer Questions

- Name the form of organisation having independent legal entity.**
Ans. Joint Stock Company.
- In which form of organisation there is a separation between ownership and management?**
Ans. Joint Stock Company.
- What is the minimum number of persons required to start a private company.**
Ans. Two
- Does a private company required to issue a prospectus ?**
Ans. No
- What is the quorum of members for the meeting of a private company.**
Ans. Two members.

SHORT QUESTION ANSWERS

- Define a Joint Stock Company.**
Ans. A Joint Stock Company is an association of persons who contribute money or money's worth to a common stock and employ it in some trade and business and share the profit and loss arising therefrom. It is an artificial person under law and has separate legal entity than its members.
- State the meaning of a private company.**

Ans. A private company can be formed with the association of atleast two members but the maximum number of shareholders cannot exceed 200. A private company restricts the transfer of its shares, prohibits any invitation to public for subscribing to shares.

3. State the main characteristics of a joint stock company.

Ans.

- (i) It is an association of persons for undertaking some work.
- (ii) A company has independent legal entity.
- (iii) The liability of members is limited to the unpaid amount on shares held by them.
- (iv) There is a separation between ownership and management.
- (v) The company has continuous continuity, it is not affected by the change of shares by members.

4. Why is company form of organisation preferred to other forms ?

Ans. A company is preferred due to following reasons :

- (i) A company has large resources at its command.
- (ii) It can have economies of large scale because of its scale.
- (iii) A company can cope with the changing business environment.
- (iv) It can have professional management.

5. What are the features of a private company ?

Ans.

- (i) A private company can be started by minimum two members :
- (ii) The maximum member of members can be 200.
- (iii) It must have a minimum paid up capital of ` 1 lakh.
- (iv) There is a restriction on transfer of shares.
- (v) It cannot invite public to subscribe its shares.

6. State the meaning of a public company.

Ans. A public company must have a minimum paid up capital of ` 5 lakhs. A minimum of seven persons can start a public company and there is no limit on maximum members. Public company has to invite public to subscribe its shares. It can start its business only after getting a certificate of commencement of business.

7. CHOICE OF FORM OF BUSINESS ORGANISATION

Multiple Choice Questions

- 1. A sole-proprietor organisation can be started by:**
 - (a) One person
 - (b) Two persons
 - (c) Three persons
 - (d) Seven persons
 - 2. A sole proprietorship is suitable when the market is:**
 - (a) Wide spread
 - (b) Local
 - (c) Regional
 - (d) None of these
 - 3. Joint Hindu Family business is controlled by:**
 - (a) All the members
 - (b) Senior most member of family
 - (c) Elected committee
 - (d) Karta
 - 4. A premiership firm can be started by**
 - (a) One person
 - (b) Two persons
 - (c) Seven persons
 - (d) Ten persons
 - 5. Co-operative societies are started to :**
 - (a) Earn profits
 - (b) Serve members
 - (c) Serve community
 - (d) None of these
1. (a) 2. (b) 3. (d) 4. (b) 5. (b)

TRUE or FALSE

1. Nature of business does not influence the form of organisation.
 2. A joint stock company is suitable when professional management is needed.
 3. Business secrets can be maintained in sole-proprietorship enterprise.
 4. There is a large scope for small scale enterprises in India.
 5. Retail trade is suitable for large organisations.
1. (F) 2. (T) 3. (T) 4. (T) 5. (F)

One Word to One Sentence Answer Questions

1. **Define a form of ownership.**
Ans. It is the ownership style of a business enterprise.
2. **Which form of organisation will suit a small business ?**
Ans. Sole-proprietorship.
3. **Which form of organisation will be suitable when large finances are required?**
Ans. Joint Stock Company.
4. **Name two forms of organisation where liability is unlimited.**
Ans. (i) Sole-proprietorship (ii) Partnership

QUESTION ANSWERS

Q. 1 Write the factors effecting choice of Suitable Form of Business Enterprise.

An entrepreneur has to consider following factors while choosing a form of business organisation:

1. **Nature of Business.** An entrepreneur has to decide what type of activity he has to undertake and the form of organisation will be decided accordingly. Business activity may be in the form of trading, manufacturing, servicing, etc. In case of trading, if it is on a small scale then sole-proprietorship will be suitable, if it is on a large scale then partnership or company form may be suitable. A manufacturing activity requires more finances and managerial ability, partnership or company form of organisation will be suitable. A service activity may be at a small, medium or large scale level and the form of business organisation will be selected accordingly.
2. **Area of operation.** In case a business is to be undertaken at national or international level, company form of organisation should be selected. If the area of operation is limited to a local area, sole-proprietorship or partnership form may be suitable.
3. **Capital Requirements.** The financial requirements of a concern also influence the choice of form of organisation. If financial requirements are low, sole-proprietorship will be the suitable organisation. With the increase in financial requirement, more than one person may be required to contribute, a partnership form of organisation will be more suitable. When financial requirements are large then company form of organisation is the answer.
4. **Volume of Business.** If the goods are to be produced and sold on a large scale then company form of organisation will be suitable. But if the volume of business to be handled is small then sole-proprietorship or partnership may be suitable.
5. **Extent of Liability.** If the entrepreneur is ready to bear all the risks of a business he may go for sole-proprietorship where liability is unlimited. In case he wants that business risk should be shared with others, partnership and company forms will be suitable.
6. **Degree of Control Desired.** If a businessman wants to have direct control over operations of the business, he should go for sole-trade business. But if he is interested in increasing the volume of business instead of having single control then company form of organisation will be a better option.
7. **Continuity of Business.** If the business is to be continued indefinitely then company form of organisation will be better. Some times continuity is not given that much importance. In that case, sole-proprietorship and partnership forms of organisation may be taken up.
8. **Business Secrets.** An entrepreneur may not like to share business secrets with any body else then sole-proprietorship is the only form suitable. In case business secrets can be shared with few persons, the partnership form will be suitable. In a company form of organisation, business secrets may not be kept since many persons are involved in decision making.
9. **Government Regulations.** If an entrepreneur wishes that government influence should be minimum then sole-proprietorship and partnership forms are suitable. A company requires lot of formalities at the time of registration and many rules and regulations of the government will have to be adhered in day to day working. Even co-operative organisation is also required to follow many rules, regulations and guidelines of the government.

8. PRIVATE, PUBLIC AND GLOBAL ENTERPRISES

Multiple Choice Questions

- Public sector enterprises are owned by:**
(a) Government (b) jointly by public and private
(c) Public-private partnership (d) Private sector
- Public sector enterprises are financed by:**
(a) Financial institutions (b) Government
(c) Private Sector (d) All of these
- A departmental undertaking works as:**
(a) Autonomous organisation (b) As a joint venture
(c) As a part of a government department.
(d) Statutory entity
- Which public sector undertaking is established under a special statute of state or central government ?**
(a) Departmental undertaking (b) Statutory corporation
(c) Government company (d) Joint venture
- A government company is established under:**
(a) Special Act (b) Companies Act
(c) State regulations (d) Parliament Act
- In a government company, state must have a shareholding of at least:**
(a) 25% (b) 50%
(c) 51% (d) 100%

1. (a) 2. (b) 3. (c) 4. (b) 5. (d) 6. (c)

Fill in the Blanks:

- A public enterprise is an undertaking owned and controlled by
- Public corporations are created by of Central or State governments.
- In a Government company, at least shares are owned by the Government.
- Public undertakings are useful for growth.
- In India railways are managed as organisation.
1. government; 2. special status; 3. 51 percent; 4. economic ; 5. departmental

TRUE or FALSE

- A public enterprise is financed by the government.
 - Railways are managed under departmental form of organisation.
 - Public corporations are set up under Companies Act.
 - In public corporations, government funds must exceed 25% of total investment.
 - A joint sector is that where private and public sector cooperate.
 - Public utilities are profit earning organisations.
 - Multinational companies help in the development of host country.
 - Management in multinationals is decentralised.
 - Most of the public sector units are incurring losses.
 - Departmental undertakings are run by professional people.
1. (T) 2. (T) 3. (F) 4. (F) 5. (T) 6. (F) 7. (T) 8. (F) 9. (T) 10. (F)

One Word to One Sentence Answer Questions

- Which organisation is formed by State or Central legislation ?**
Ans. Statutory Corporation.
- Name the organisation working under a Government department.**
Ans. Departmental undertaking.
- Who owns public enterprises ?**
Ans. Government.
- What is meant by private sector ?**
Ans. Business enterprises owned and controlled by individuals or groups are called private sector.
- Name any two government companies.**

Ans. (i) Steel Authority of India. (ii) Bharat Heavy Electricals Ltd.

SHORT QUESTION ANSWERS

1. State the characteristics of a private enterprise.

Ans. (i) A private enterprise is owned by an individual or group of persons.

(ii) The owners provide capital for the business.

(iii) The aim is to make private gains and generate wealth.

(iv) Management is in the hands of owners or professional people.

(v) Financial management is in the hands of owners.

2. Explain the meaning of Joint Sector.

Ans. Joint Sector is a form of partnership between private sector and government. The management is assigned to private sector. The motive is to use the funds of the private sector when government is unable to raise funds and the priorities of the government are kept in mind while setting up a unit in joint stock.

3. State the features of a public enterprise.

Ans. Following are the features of a public enterprise :

(i) the capital is invested by the state.

(ii) the management and control rests with the government.

(iii) the main objective is public service and not profits.

(iv) the enterprises are run by bureaucrats.

(v) financial management is in the hands of the government.

(vi) the enterprises are accountable to general public.

4. Name various forms of private enterprises.

Ans. Following are the forms of private enterprises :

(i) Sole proprietorship

(ii) Partnership

(iii) Joint Hindu Family Business

(iv) Joint Stock Company

(v) Co-operative Societies

5. State five points showing the need for public sector.

Ans. Public sector is needed for the following reasons :

(i) Speeding up the pace of industrialisation.

(ii) Needed for balanced regional growth.

(iii) Curbing concentration of economic power.

(iv) Helpful in social change

(v) Necessary for planned industrial development.

6. State the features of a departmental undertaking.

Ans. Following are the main features of a departmental undertaking:

(i) Dependent on government for finances.

(ii) The management is in the hands of the government.

(iii) The budget is passed by Parliament or State Legislature.

(iv) The department enjoys legal immunity.

9. SERVICE SECTOR AND COMMUNICATION SERVICES

Multiple Choice Questions

1. Services are :

(a) Intangible

(b) Tangible

(c) Solid

(d) All of these

2. Service and service provider :

(a) Can be separated

(b) Cannot be separated

(c) Both (a) and (b)

(d) None of these

3. U.P.P. stands for :

(a) Value payable post

(b) Value paid parcel

(c) Value payable parcel

(d) Value payable purchase

4. Which of the following websites provide free e-mail facility ?

(a) hotmail.com

(b) rediffmail.com

(c) Both of these

(d) None of these

5. Which of the following service covers business risks ?

- (a) Banking (b) Insurance
(c) Storing & warehousing (d) Transportation

1. (a) 2. (b) 3. (c) 4. (c) 5. (b)

Fill in the Blanks:

1. Service sector is needed for running
2. services are needed to arrange funds for business.
3. Place utility is provided by service.
4. Warehousing helps in creating utility in goods.
5. covers various business risks.

1. business, 2. Banking, 3. transport, 4. time, 5. Insurance,

TRUE or FALSE

1. Services are tangible products.
2. Advertising helps in creating cost overs
3. Service sector does not help in stabilising prices of goods.
4. Communication is a one way process.
5. Speed post is a fastest mode of sending letters
6. Internet services can be availed from Internet Service Providers.
7. Intranet is also called private internet.

1. (F) 2. (T) 3. (F) 4. (F) 5. (T) 6. (T) 7. (T)

One Word to One Sentence Answer Questions

1. What do you mean by service sector ?

Ans. Service sector consists of all those activities which are concerned with manufacturing and distribution of goods and services.

2. What is the need of service sector ?

Ans. Service sector provides specialised services such as banking, insurance, transport, warehousing, advertising, etc. to the industry and trade.

3. Distinguish between services and goods.

Ans. Goods are tangible while services are intangible.

4. Which services provide time and place utility in goods.

Ans. Warehousing provides time utility and transport provides place utility in goods.

5. What is meant by underwriting ?

Ans. Underwriting is the taking up of sale of shares and debentures on behalf of a company.

6. What is meant by communication ?

Ans. It is a means by which one person transfers his thoughts to another.

SHORT QUESTION ANSWERS

1. What is meant by business services ?

Ans. Business and trade require various types of services for collecting their inputs and sending finished products to customers. There is a need for finances, warehousing, insurance, communication, transportation services from different service providers. Service sector includes all those commercial organisations which are engaged in providing specialised services. Banks provide finances for establishing and running a business, insurance companies insure various losses arising from various causes and insure goods in transit. The need for storage is met by warehousing companies and transport services are available to bring raw materials to manufacturers and take finished goods to customers. Similarly, communication services are availed for establishing business contacts and sending and receiving messages and documents.

2. What is meant by postal services ?

Ans. Every country has well-knit postal services. These services are provided both inside the country and at international level. A post office is a government institution which is engaged in providing postal services. Postal services are related to sending various communications through letters, telegrams and teleprinters. Besides these services, post offices issue postal orders, send money orders, perform some banking services also.

Every business requires the services of post offices for carrying out communications. Businessmen send out several letters, market reports, parcels, money orders, etc.

3. State various features of postal communication.

Ans. Features of Postal Communication

Main features of postal communication are :

- (i) All postal services are owned and controlled by government.
- (ii) Postal services are provided at national and international levels.
- (iii) Post offices in addition to postal services are providing financial services also.
- (iv) Post offices have also started speed post services in order to provide reliable and fast service.
- (v) Telegraphic services are also provided at post offices.

4. What are courier services ? State the features of these services.

Ans. There are some private operators who provide mail services to the public. The private courier collects letters and parcels and deliver them at the place of the addresses. Private couriers appoint agents at different places or open their own offices to collect post and then send it to the places of addresses. Private couriers provide quick service in collection and delivery of letter, parcels, packets, etc. No postage is required to be affixed on letters and parcels, if sent through couriers. The charges payable for private courier services are generally higher in comparison to post office. The rates charged by different courier service provides also vary, depending upon the reliability, quickness, public confidence etc. Private couriers are popular in big cities and towns. Some important courier providers are: Blue Dart Eupress, Overnite Express, DHL.

5. Describe the meaning of Internet.

Ans. Internet is a world-wide network of tens of thousands of computers all connected to each other. It is a collection of interconnected networks, that is why it is called 'internet work' or 'internet'. It is a means used for communication over large distances using computers. In simple words, internet means everything you can access from your computer. It includes not just web pages but library catalogues, e-mail and databases of all kinds. Millions of computers around the world can communicate with one another through the internet. It has become indispensable in modern life. A person or an organisation can open an account with any Internet Service Provider (ISP) who will have an account number for a monthly or yearly fees. After getting the number, the subscriber has access to Internet and e-mail through it. The user should have a computer with modem and telephone connection to send and receive the messages. The subscriber has access to world-wide web (www). The e-mail facility can also be availed with the help of internet.

6. What do you mean by World Wide Web (www)

Ans. World wide Web (www). The world wide web is a multimedia facility that allows pictures sound and video to be displayed on screen. One of the main features of the web is the availability of hypertext links which allow the users 'Jumps' to related documents. Web contains lots of websites which contain information. A website is usually made up of lots of web pages related to the same topic. Each website has an address called the Unique Resource Locator (URL).

7. Discuss the advantages of Internet.

Ans. Internet has the following advantages:

- (i) Messages can be received and sent to different internet users.
- (ii) Information stored on computers can be accessed.
- (iii) Newspapers, magazines, books can be read on internet.
- (iv) Information about stock and trade markets can be seen on internet.
- (v) Any type of information available on computers may be downloaded.
- (vi) E-banking has become possible with the help of internet

8. What is E-mail ?

Ans. E-Mail. Electronic mail or e-mail is a system of electronic correspondence by which users send and receive messages over a network of computers and telecommunication links. For availing this facility one has to obtain membership with an Internet Service Provider (ISP). The user will require a computer, a modem and a telephone line on which he can call the subscription service. For two-way communication, one has to devise his e-mail address on which messages can be received from outside. In India, VSNL, MTNL, Tata Info Service are some of the companies providing e-mail facilities. E-mail has become so popular that companies around the world are now using e-mail for business communications. It is fast replacing telephone and fax as the modes of communication. It is a cheap method of sending and receiving long messages as compared to other methods. The incoming message gets access to mailbox. The receiver can read the message when he switches on his computer. There is no need for coming into contact of the sender and the

receiver of the message as is the case of telex communication. The receiver can see the message on a convenient time. The message is transmitted almost instantaneously, without loss of time.

9. Describe various advantages of E-mail.

Ans. E-mail offers the following advantages:

- (i) It is the fastest method of transmitting written messages.
- (ii) If the sender and the receiver are sitting at the computers the clarifications can be sought and offered immediately.
- (iii) The message sent through e-mail can be stored or amended and sent anywhere.
- (iv) The use of codes can make the messages secure and only the receiver can decipher it.
- (v) E-mail message can be kept confidential and secure.
- (vi) E-mail messages can be stored for future references.
- (vii) Messages can be sent anywhere in the world.

10. BANKING

Multiple Choice Questions

1. Banking denotes a kind of :

- (a) Public service
- (b) Helping the business
- (c) Trading in money
- (d) Trading in shares

2. Accepting deposits is a :

- (a) Utility function of a bank
- (b) Primary function of a bank
- (c) Secondary function of a bank
- (d) Agency function

3. Current Account in a bank allows a customer :

- (a) To withdraw money only after a week
- (b) To make payments after 7 days of early payments
- (c) Deposit or withdrawal at any time
- (d) Limited operation

4. RTGS facility is available :

- (a) In all banks
- (b) In selected banks
- (c) In banks using core banking
- (d) None of these

5. The Reserve Bank of India was established in :

- (a) 1935
- (b) 1947
- (c) 1961
- (d) 1985

1. (c) 2. (b) 3. (c) 4. (c) 5. (a)

Fill in the Blanks:

- 1. The collection of cheques is function of a bank.
- 2. In fixed deposit account money can be withdrawn after the expiry of
- 3. Cash credit facility is given by bank of the security of assets.
- 4. ATM stands for
- 5. Debit card facility is allowed on the basis of in the bank account

1. agency, 2. fixed period, 3. current, 4. Automated Teller Machine, 5. deposit,

TRUE or FALSE

- 1. A bank accepts deposits for the purpose of bonding.
- 2. Collecting cheques and interest is a primary function of a bank.
- 3. A cash credit is allowed without any security.
- 4. A bank pays interest on a current account balance.
- 5. RTGS is a system to transfer funds from one bank to another bank.

1. (T) 2. (F) 3. (F) 4. (F) 5. (T)

One Word to One Sentence Answer Questions

1. Which institute is called a lender as well as borrower ?

Ans. Bank.

2. Give two basic functions of a commercial bank.

Ans. (i) Accepting deposits (ii) Lending of funds.

3. Which bank account suits a businessman ?

Ans. Current deposit account.

4. **Why is current account most suitable to a businessman ?**

Ans. A businessman has to make regular deposits and withdrawals in his/her bank account to facilitate business and this account extends this facility.

5. **What is the full form of RTGS ?**

Ans. Real Time Gross Settlement.

SHORT QUESTION ANSWERS

1. **Define a Bank.**

Ans. According to some authorities, the word 'bank' is derived from **Bancus** or **Banque** which means a bench. In early days the European money-lenders and money changes used to sit on the benches and exhibit coins of different countries in big heaps for the purpose of changing and lending money. Banking Regulation Act, 1949 defines banking company as a company which transacts the business of banking in any state of India. The word banking has been defined as, "the accepting, for the purpose of lending or investment, or deposits of money from the public repayable on demand or otherwise and withdrawable by cheque, draft, order or otherwise.

2. **Name the Utility functions of a bank.**

Ans. Utility functions of a bank are :

- (i) Safe custody of valuables, securities etc.
- (ii) Issuing letters of credit, travellers cheques.
- (iii) Underwriting of capital issues and loans.
- (iv) Accepting bills of exchange
- (v) Providing trade information and statistics.
- (vi) Dealing in foreign exchange.
- (vii) Advice on financial matters.
- (viii) Accepting bills of exchange.
- (ix) Dealing in foreign exchange.

3. **What is meant by bank overdraft ?**

Ans. Bank overdraft means an agreement with a bank by which current account holder is allowed to withdraw more than the balance to his credit upto a certain amount. There is no restriction for operation of overdraft limits. Withdrawals or deposits can be made any number of times but the total amount withdrawn at any time cannot exceed the given limit. The interest is charged on daily overdrawn balances.

4. **State the meaning of Time Deposit Account.**

Ans. Time deposit or fixed deposit account is one wherein money is deposited for a fixed period and cannot be withdrawn before the expiry of the said period. The deposit period varies from 3 months to 5 years. The rate of interest allowed on such accounts increases with the period of deposit. In case the customer needs money before the expiry of the fixed period, he can take either a loan against the fixed deposit or the bank may allow him to withdraw the deposit or the bank may allow him to withdraw the deposit before the expiry of the due date.

5. **State the meaning of e-banking.**

Ans. Banks are now introducing electronic banking services for their customers. E-banking is the outcome of technological innovations and competition. The introduction of Electronic Fund Transfer system (EFT), Automated Teller Machines (ATM), credit card, debit card etc. are a part of E-banking. The customers can use banking services with the help of electronics without going to the bank premises as was done earlier.

6. **"E-banking has become indispensable because of value added services." Comment**

Ans. E-banking is electronic banking, usage of electronic media, internet, mobile phones, etc., for providing banking services. A customer can get banking services with the help of internet, mobile phone, credit card, debit card, ATM, etc., the services are available 24 hours a day and seven days a week. There is no need for the customer, coming to the bank. A customer can transfer funds, pay bills, know balance in his account using personal digital assistance (internet, mobile phone, etc.) The multinational banks were the first to start E-banking in India, Now many banks are offering these services.

Benefits of E-Banking :

- (i) Whole time service facility
- (ii) Transactions from any place,
- (iii) Customer's satisfaction
- (iv) Reducing bank work load
- (v) Unlimited network.

11. INSURANCE

Multiple Choice Questions

- A person getting an insurance policy must have :**
(a) Ownership of the policy (b) Must have paid premium
(c) Must have insurable interest in insured subject
(d) Must be interested in insurance
 - Which of the following is not a function of insurance ?**
(a) Risk sharing (b) Subject matter to be insured
(c) Lending of funds (d) Accepting deposits
 - The agreement for insurance is known as :**
(a) Insurer (b) Insured
(c) Insurance Policy (d) None of these
 - In case of fire insurance insurable interest must exist :**
(a) At the proposal of policy (b) At the time of contract
(c) Both the time of contract and at the time of loss
(d) None of these
 - Principle of subrogation is not applicable to :**
(a) Marine insurance (b) Life insurance
(c) Fire insurance (d) Misc. insurance
1. (c) 2. (c) 3. (c) 4. (c) 5. (b)

Fill in the Blanks:

- Insurance system is based on system.
 - Insurance company providing a policy is called
 - The person who gets insurance policy is called
 - Basic principle of insurance is to spread among more people.
 - Insurance contract is based on faith.
1. pooling, 2. insurer, 3. insured, 4. risk, 5. utmost good,

TRUE or FALSE

- The company issuing insurance policy is called insured.
 - Insurance can help in capital formation.
 - Principal of indemnity is not applicable to life insurance policy.
 - An insured cannot get more than the sum insured.
 - Insurable interest is not applicable in marine insurance policies.
1. (F) 2. (T) 3. (T) 4. (T) 5. (F)

One Word to One Sentence Answer Questions

- What is insurance ?**
Ans. Insurance is an instrument of distributing the loss of few among many.
- What is meant by insurance policy ?**
Ans. The agreement providing for insurance is called an insurance policy.
- Who is an insurer ?**
Ans. It is the insurance company which undertakes the risk.
- Who is an insured ?**
Ans. A person who has taken up the insurance policy is called insured.
- What is meant by compensation in insurance ?**
Ans. It is the payment of agreed amount of money to another party to make good a loss, damage or injury to something of value.

SHORT QUESTION ANSWERS

1. What is meant by insurance ?

Ans. Insurance is a contract between two parties whereby one party agrees to indemnify the loss suffered by the other party for a consideration of some money called 'premium'. The party which promises to indemnify the loss is called insurer (insurance company) and the person or property subject to risks is called insured. The agreement providing for insurance is called an 'insurance policy'. Insurance system is based on an

important technique called 'Pooling System'. Large number of persons combine together to reduce or to compensate the future loss of any one of them.

2. **Name various principles of insurance. Also explain the principle of 'Cause proxima'.**

Ans. Following are the principles of insurance :

- | | |
|--------------------------------------|--------------------------------------|
| (i) Principle of insurable interest. | (ii) Principle of utmost good faith. |
| (iii) Principle of indemnity | (iv) Principle of contribution |
| (v) Principle of subrogation | (vi) Principle of Causa proxima |

Principle of Causa Proxima. This principle states that proximate or nearest cause is to be the basis of determining the liability of the insurer. This doctrine is specifically applicable to marine insurance. Under marine insurance the loss may be attributed to many causes. Marine policies generally cover a large variety of risks. This principle helps in determine the nearest cause.

3. **What is meant by utmost good faith?**

Ans. The insurance contract is founded on the basis of utmost good faith on the part of insurer and insured. It is obligatory for the person getting insurance policy that all material facts must be disclosed about the subject to be insured. If some material fact comes to light later on then the contract can be avoided at the discretion of the insurer.

4. **What is double insurance?**

Ans. Double insurance means purchasing more than one policy for the same subject. A person may get two or more policies on his life. He claims the amount.

5. **"Insurable interest is an essential element of insurance." Explain.**

Ans. Insurable interest is must when one gets an insurance policy. In the absence of insurable interest, the insurance contract will be void. The person getting an insurance policy must have an insurable interest in the property or life insured. A person is said to have an insurable interest in the property, if he is benefited by its existence and prejudiced by its destruction. Without insurable interest the insurance contract is void. The ownership of a property is not necessary for establishing insurable interest. A banker has an insurable interest in the property mortgaged to it against a loan. An employer can insure the lives of his employees because of his pecuniary interest in them. In the same way, a creditor can insure the life his debtor. A person cannot insure the property of a third party, because he does not have an insurable interest in it.

12. E-BUSINESS

Multiple Choice Questions

- E-business is a :**
(a) Traditional business
(b) Business with electronic devices
(c) Business with better technology
(d) Latest business mode
- E-business :**
(a) Increases cost
(b) Improves customer service
(c) Increases profits
(d) Improves wealth
- E-business is about :**
(a) Business
(b) Technology
(c) Electronic methods
(d) Traditional business
- E-business is the process of carrying out business:**
(a) online
(b) electronically
(c) online and electronically
(d) on various modes
- Intra B Commerce means:**
(a) Business between two organisations
(b) Business within the organisation
(c) Business between organisation and customers
(d) Online business

1. (b) 2. (b) 3. (a) 4. (c) 5. (b)

Fill in the Blanks:

- E-business does not involve face to face
- E-business provides shopping to customers.

3. refers to unauthorised entry into a website.
 4. E-business is conducting business using network.
 5. B2C stands for business to
1. contact; 2. convenient; 3. Hacking; 4. computer; 5. customers.

TRUE or FALSE

1. E-business and e-commerce means the same thing.
 2. E-business is undertaken with the help of internet.
 3. E-business deals with business transactions only.
 4. E-business is wider than e-commerce.
 5. E-business increases cost of doing business.
 6. E-business uses bulky transactions.
 7. Electronic cash and digital money are the same.
1. (F) 2. (T) 3. (F) 4. (T) 5. (F) 6. (F) 7. (T)

One Word to One Sentence Answer Questions

1. **By what name digitisation of business is known ?**
Ans. e-Business.
2. **What is meant by e-Business ?**
Ans. It refers to conducting business activities over internet or any other computer network.
3. **Are e-Business and e-Commerce the same ?**
Ans. No, e-Commerce is a part of e-Business.
4. **Distinguish between e-Commerce and e-Business.**
Ans. E-commerce deals with distribution of goods and services whereas e-Business is a wider term and includes e-commerce also.
5. **What is meant by B2B Commerce ?**
Ans. The transactions taking place between businesses firms are referred to business to business or B2B-transactions.

SHORT QUESTION ANSWERS

1. **What is meant by E-business ?**
Ans. E-business refers to using the internet for doing business. Every time a business uses the internet to conduct business, it is doing E-commerce or electronic business. The term E-commerce applies to all net based business applications for business to business, business to consumers, business to suppliers and business to employees. It is about transforming the way, key business processes are done by integrating internet technology and services into a company's essential processes.
2. **How is E-business done ?**
Ans. E-business is the process of delivering any part of your business to any audiences wherever they are. E-business takes the following process :
 - (i) Studying the audience to understand what they want and how they want it.
 - (ii) The second step is to know the business, it should be understood how the business can be segmented into small useful information and functional parts.
 - (iii) The next step is to relate business to the audiences. It should be seen as to which information is needed by which audience and where that information is available. Rules should be so framed that staff can decide who gets what and when.
3. **Name the resources required for implementing E-business.**
Ans. Following resources are required for implementing E-business :
 - (i) Computer hardware for conducting the business.
 - (ii) Properly developed website for undertaking E-business.
 - (iii) Qualified staff to undertake E-business.
 - (iv) Electronic payment system is needed to conduct this business.
 - (v) Effective communication facilities for implementing e-business plans.
4. **What is meant by privacy with reference to E-business ?**
Ans. Privacy refers to security of messages and data belonging to the sender and for the use of one particular person called the receiver. Privacy is the right of every businessman and he has to decide what information

he wants to share with other trading partner. Restriction to access may be possible with the use of passwords, access to control lists and cryptographic services.

5. Describe briefly any two applications of E-business.

Ans.

(i) **E-Trading.** It involves trading in securities *i.e.* buy and selling of shares, debentures and other securities on line.

(ii) **E-Procurement.** These are sales transactions between business firms with the help of internet. It includes online trade between one purchaser and many sellers and between multiple buyers and sellers.

6. Describe briefly the data storage and transmission risks in E-business.

Ans. Data stored in the system and ex-route is exposed to a number of risks. Vital information may be stolen or modified to pursue selfish motives. Viruses (vital information under seize) are the main problems in storage and transmission of data. Viruses clean up the information stored in the computer memory. The viruses can enter the computer through e-mail, floppies or disk. Virus hampers the functioning of the business and results in loss due to interruption of work. Hacking is the other problem faced in storage of data, Hacking may destroy the data and information which causes losses and destruction of business transactions.

13. SOCIAL RESPONSIBILITIES OF BUSINESS

Multiple Choice Questions

1. **Social responsibility is :**
(a) Same as legal responsibility (b) Broader than legal responsibility
(c) Narrower than legal responsibility (d) None of these
 2. **Providing quality goods by the business is a responsibility towards:**
(a) Owners (b) Consumers
(c) Government (d) Shareholders
 3. **That an enterprise must behave as a good citizen, is an example of its responsibility towards :**
(a) Community (b) Workers
(c) Owners (d) Government
 4. **Which of the following can explain the need for pollution control ?**
(a) Cost savings (b) Reduced risk of liability
(c) Reduction of health hazards (d) Improving medical facilities
 5. **Ethics is important for :**
(a) Top management (b) Workers
(c) Investors (d) All of these
1. (b) 2. (b) 3. (a) 4. (c) 5. (d)

Fill in the Blanks:

1. Government can business to assume social responsibility.
 2. A business can achieve success with the of employees.
 3. A business exists for
 4. A business owes obligations to different interest
 5. Business ethics refer to code of for business.
1. force ; 2. help ; 3. Consumers ; 4. groups ; 5. Conduct

TRUE or FALSE

1. Ethics refer to code of conduct for business.
2. Disposal of industrial wastes cause water pollution.
3. Business units can bring environmental protection by producing quality goods.
4. A business is not the creation of society, so no responsibility is essential.
5. Human rights provide people the right to equality.
6. Human rights commission works through NGO's.

1. (T) 2. (T) 3. (T) 4. (F) 5. (T) 6. (F)

One Word to One Sentence Answer Questions

1. **Define Social Responsibility.**

Ans. It refers to the voluntary efforts of the business to contribute to the well being of the society.

2. **Give two reasons for business assuming social responsibility.**
Ans. (i) Long term interests of the business are linked to society.
(ii) It is the moral responsibility of the business to help society.
3. **Give two reasons for realizing social responsibility by business.**
Ans. (i) Impact of consumer consciousness.
(ii) Development of social responsibility.
4. **State two kinds of social responsibility.**
Ans. (i) Economic responsibility
(ii) Ethical responsibility
5. **Name two responsibilities of business towards consumers.**
Ans. (i) Providing quality goods at reasonable prices.
(ii) Provide goods as per the needs of the consumers.

SHORT QUESTION ANSWERS

1. **What do you mean by social responsibility of business ?**
Ans. There is a growing feeling that business should help in overcoming social problems. It should try to help society even at the cost of reducing its profits. After all it is the society consisting of workers and consumers which enables business to earn profits. Social responsibility refers to the obligations and duties of business to the society.
2. **Which sections of society are covered under social responsibility of business?**
Ans. A business is responsible to the following sections of society :
(i) **Shareholders.** Who have invested in the business.
(ii) **Employees.** It is the co-operation of employees that a business can achieve success.
(iii) **Consumers.** A business unit exists only for consumers.
(iv) **Community.** A business is responsible to the community at large.
(v) **Government.** Govt. sets priorities for the business so that balanced development takes place.
3. **Why should business not take social responsibility ?**
Ans. Business should not take social responsibility for following reasons:
(i) It diverts attention of business from its main objectives.
(ii) It will add to the cost of production.
(iii) It will try to influence social set up.
(iv) A business may not be able to tackle social problems.
(v) A business is responsible to its owners.
4. **What is meant by business ethics ?**
Ans. Ethics refer to code of conduct for business. Every profession or group frames certain do's and don'ts for its members. Earlier a business was supposed to concentrate its energies on increasing its profitability. But now a business is supposed to help the society in its development along with its aim of profit earning. Businessmen have not started having their ethics according to the expectations of the society.

14. FORMATION OF A COMPANY

Multiple Choice Questions

1. **A certificate of incorporation gives the company a status of :**
(a) Association (b) Separate legal entity
(c) Entitlement to work (d) Entitlement to raise funds
2. **Which document is called the constitution of the company ?**
(a) Memorandum of Association (b) Articles of Association
(c) Prospectus (d) Incorporation Report
3. **A Joint Stock Company is registered under :**
(a) Statutory Act (b) Chartered Act
(c) Companies Act (d) Parliament Act
4. **An Indian Company is one :**
(a) Business in India (b) Majority shares with Indians
(c) Incorporated in India (d) Foreign Company in India
5. **Which document of a company deals with its internal management ?**

- | | |
|-------------------------------|-----------------------------|
| (a) Memorandum of Association | (b) Articles of Association |
| (c) Prospectus | (d) Statutory reports |
| 1. (b) | 2. (a) |
| 3. (c) | 4. (c) |
| | 5. (b) |

Fill in the Blanks:

1. A conceives an idea of starting a business.
 2. The company law does not give legal status to
 3. A gives legal status to a company.
 4. Memorandum of association is called of the company.
 5. A company prepare its memorandum of association.
1. promoters 2. promoter 3. certificate of incorporation 4. Constitution 5. must

TRUE or FALSE

1. There is no role of promoters for establishing a company.
 2. A company comes into existence with the certificate of incorporation.
 3. A company may adopt a standard memorandum of association.
 4. The activities of a company cannot go beyond the object clause.
 5. A company must sell a minimum number of shares before starting other activities.
1. (F) 2. (T) 3. (F) 4. (T) 5. (T)

One Word to One Sentence Answer Questions

1. **Which document is called the charter of the company ?**
Ans. Memorandum of Association.
2. **What is meant by Memorandum of Association ?**
Ans. Memorandum of association is the constitution of the company and provides the foundation on which its structure is built.
3. **What is the purpose of memorandum of Association ?**
Ans. The main purpose of memorandum is to explain the scope of activities of the company.
4. **State the purpose of objective clause of memorandum of association.**
Ans. The object clause determines the rights and powers of the company and also defines the spheres of activities.
5. **Which document states rules for internal working of a company ?**
Ans. Articles of Association.
6. **Name the document which invites general public to subscribe the shares and debentures of the company.**
Ans. Prospectus.
7. **What is meant by 'One Person Company' ?**
Ans. It is a company with only one person as its member.

15. SOURCES OF BUSINESS FINANCE

Multiple Choice Questions

1. **Equity shareholders are the :**

(a) Financiers of the company	(b) Creditors of the company
(c) Owners of the company	(d) Lenders of the Company
2. **Short-term funds may be raised from :**

(a) Shareholders	(b) Debenture holders
(c) Factors	(d) Lease financing
3. **ADRs are issued in :**

(a) USA	(b) Canda
(c) U.K.	(d) France
4. **The word 'redeemable' is used for :**

(a) Public deposits	(b) Preference shares
(c) Equity shares	(d) Bank loans
5. **Under lease agreement, lessee gets the right to :**

(a) Use the assets	(b) sell the assets
--------------------	---------------------

(c) Mortgage the assets

(d) Maintain the assets

1. (c) 2. (c) 3. (a) 4. (b) 5. (a)

Fill in the Blanks:

1. Long term finance is needed to purchase assets.
 2. Equity shares is a term sources of finance.
 3. Preference shares have a priority over payment of
 4. Equity shareholders have rights in the company.
 5. capital is returned only at the time of dissolution of the company.
 6. Debenture holders are the of the company.
 7.debentures are given a security on the assets of the company.
 8. GDR stands for
1. fixed ; 2. long ; 3. dividend ; 4. voting ; 5. equity ; 6. Creditors ;
7. Secured ; 8. Global Depository Receipts.

TRUE or FALSE

1. Equity shareholders are the real owners of the company.
 2. Preference shares can be returned only on the winding up of the company.
 3. Preference shareholders have voting rights in the company.
 4. Debenture holders are the creditors of the company.
 5. Debenture holders are paid interest only when the company has profits.
1. (T) 2. (F) 3. (F) 4. (T) 5. (F)

One Word to One Sentence Answer Questions

1. **Give the full form of ADR.**
Ans. American Depository Receipts
2. **What are redeemable preference shares ?**
Ans. These are the shares which can be paid back by the company.
3. **Do equity share holders create lien on assets of the company ?**
Ans. No lien is created by equity shareholders on assets of the company.
4. **Can a company avoid paying interest on debentures if it faces losses ?**
Ans. Interest on debenture is a liability which has to be paid even when there are losses.
5. **What is meant by bearer debentures ?**
Ans. Bearer debentures are transferable just by delivery and are not registered by the company.

SHORT QUESTION ANSWERS

1. **What is meant by business finance ?**
Ans. Business finance refers to money and credit employed in business. It is a process which is concerned with acquisition of funds, use of funds and distribution of profits by a business enterprise. Thus, business finance usually deals with financial planning, acquisition of funds, use and allocation of funds and financial controls.
2. **Name various types of preference shares.**
Ans. A company can issue following types of preference shares :
(i) Cumulative preference shares (ii) Non-cumulative preference shares
(iii) Redeemable preference shares (iv) Irredeemable preference shares
(v) Participating preference shares (vi) Non-participating preference shares
(vii) Convertible preference shares (viii) Non-convertible preference shares
3. **What are the benefits of issuing equity shares ?**
Ans. (i) Equity shares bring permanent capital to the company.
(ii) There is no fixed obligation for paying dividend.
(iii) No security is required to be issued for issuing these shares.
(iv) Equity shareholders elect management of the company.
(v) Liquidity of these shares is high.
(vi) The dividend issued is generally higher.
4. **Why are debentures not preferred as a source of finance ?**
Ans. (i) The cost of issuing debentures is very high.
(ii) A fixed rate of interest is paid on debentures even if the company has losses.

(iii) Debentures limit company's credit in the market because they are given lien on assets.

5. State the advantages of ploughing back of profits.

Ans. The generation of funds through retaining of profits is known as ploughing back of profits.

Following are the advantages of ploughing back of profits :

- (i) It makes a concern self-dependent for finances.
- (ii) It helps in capital formation.
- (iii) It aids in financing schemes of Rationalisation.
- (iv) Aids in smooth and undisrupted running of an enterprise.
- (v) It acts as an economical method of financing.

6. What is meant by global depository receipts ?

Ans. GDR is an instrument issued abroad by an Indian company to raise funds in foreign exchange and is listed and traded in a foreign stock exchange. A GDR represents a certain number of underlying equity shares. The shares are issued by the company to an intermediary called the depository in whose name the shares are registered. It is the depository which subsequently issues the GDR's. The physical possession of the equity shares is with another intermediary called the custodian, who is an agent of the depository.

16. MSME AND BUSINESS ENTREPRENEURSHIP

Multiple Choice Questions

- 1. Small Scale enterprises have an investment of less than**
(a) ₹ 50 lakhs (b) ₹ 10 Crore
(c) ₹ 30 Crore (d) ₹ 40 Crore
 - 2. Cottage industries generally produce**
(a) Fashion goods (b) Modern goods
(c) Traditional goods (d) Lunaces
 - 3. Micro sector has an investment of**
(a) ₹ 25 lakhs (b) ₹ 50 lakhs
(c) ₹ 60 lakhs (d) ₹ 1 Crore
 - 4. Cottage industries meet**
(a) Regional demand (b) National demand
(c) Local demand (d) Foreign demand
 - 5. Artisans are associated with**
(a) Small Scale Sector (b) Tiny Sector
(c) Cottage industries (d) Medium enterprises
1. (b) 2. (c) 3. (d) 4. (e) 5. (c)

Fill in the Blanks:

1. MSME Act was passed in the year
 2. MSME Act classified units on the basis of
 3. A manufacturing unit in micro industries can have investments of less than ₹
 4. Small scale enterprises are generally intensive.
 5. Small business generates more opportunities.
1. 2006; 2. investments and turnover 3. 1 ₹ crore 4. labour; 5. employment

TRUE or FALSE

1. Small scale industries were categorised on the basis of volume of sales.
2. A unit supplying atleast 50% of its production to other industries is called ancillary unit.
3. Small scale sector is generally labour intensive sector.

4. The main problem of small sector is finance and credit.

1. (T) 2. (T) 3. (T) 4. (T)

One Word to One Sentence Answer Questions

1. Which Act has classified small business ?

Ans. Micro, Small and Medium Enterprises Development (MSMED) Act, 2006.

2. Name the categories in which small business enterprises have been classified.

Ans. Micro, small and medium enterprises.

3. Which is the criterion followed for classification of small enterprises ?

Ans. Investments in plant and machinery.

4. What is the investment limit for a micro enterprise ?

Ans. Upto ₹ 25 lakhs if it is manufacturing concern and ₹ 10 lakhs for a service sector enterprise.

5. Name a sector of the enterprise in which investments in plant and machinery can be upto ₹ 2 Crore ?

Ans. Small enterprise.

6. State the investment limit for a medium scale manufacturing enterprise.

Ans. Upto ₹ 10 crore.

7. Name the enterprise in service sector in which investments can go upto ₹ 5 crore.

Ans. Medium enterprise.

SHORT QUESTION ANSWERS

1. Do you think small MSMEs can play any role in rural areas ?

Ans. Yes, small business can play an important role in rural areas in the following ways:

- (i) Generate employment
- (ii) Improve economy
- (iii) Development of rural areas
- (iv) Mobilisation of local resources
- (v) Promotion of creativity in rural people.

2. MSME sector plays an important role in the industrial development of India. State any four reasons in support of this statement.

Ans. MSMEs have been playing an important role in industrial development of the country. The following points will support this argument :

- (i) Generation of employment : Sector is the secured highest employment generator in India.
- (ii) Small scale units contribute nearly 40 per cent of the gross industrial value added. The capital required for producing one unit is one-third of the capital required by large enterprises.
- (iii) These units facilitate mobilisation and use of rural area resources and skills which otherwise may have remained unutilised.
- (iv) Small business ensures equitable distribution of national income and wealth by reducing inequities between rural and urban areas.

3. What are the criteria used by the Government of India for defining MSMEs Industries?

Ans. The Government of India has used investment and turnover as a criterion for defining micro, small and medium enterprises.

17. INTERNAL TRADE

Multiple Choice Questions

1. A wholesaler deals in :

- (a) Selected goods
- (b) Large number of goods
- (c) Varied goods
- (d) All of these

2. Wholesaler acts as a link between a manufacturer and :

- (a) Consumer (b) Supplier
(c) retailer (d) Producer
3. **Retailers dealing in one line of goods are called :**
(a) Cheap jacks (b) Speciality retailers
(c) Hawkers (d) Market traders
4. **A retailer deals in :**
(a) Many goods (b) Particular line of goods
(c) Few goods (d) Special goods
5. **A departmental store deals in :**
(a) Almost everything (b) Specialities
(c) Selected goods only (d) Ready stocks
1. (a) 2. (c) 3. (b) 4. (a) 5. (a)

Fill in the Blanks:

1. A wholesaler is a link between producer and
 2. A retailer maintains personal contact with
 3. A retailer deals in of goods.
 4. Cheap jacks stay long at one place of business.
 5. The retailers dealing only in one line of goods are called
1. Consumer; 2. Consumers; 3. variety; 4. donot; 5. speciality stores;

TRUE or FALSE

1. A wholesaler directly sells to consumers
 2. A wholesaler is a link between consumer and retailer
 3. A retailer produces according to consumers tastes
 4. Retailers can be done away with
 5. A departmental store has a number of departments
 6. A vending machine is used to sell goods to consumers
 7. In mail order business, goods are sent through V.P.P.
1. (F) 2. (T) 3. (F) 4. (F) 5. (T) 6. (T) 7. (T)

One Word to One Sentence Answer Questions

1. **What is meant by internal trade?**
Ans. Internal trade is the buying and selling of goods in the geographical limits of a country.
2. **Who are itinerant retailers?**
Ans. Itinerant traders are the retailers who do not have a permanent place of work, rather move from one place to the other.
3. **Name two itinerant retailers.**
Ans. (i) Hawkers and Peddlers (ii) Cheap Jacks
4. **Which trader sells goods in small quantities?**
Ans. A retailer
5. **Which retailer deals only in one line of goods.**
Ans. Specialty stores

SHORT QUESTION ANSWERS

1. **What do you mean by internal trade ?**

Ans. Internal trade refers to the buying and selling of goods and exchange of services within the geographical boundaries of a country. The laws of the land determine terms and conditions of trade and payments are made in the country's currency. This trade is also termed as home trade or domestic trade.

2. Name some characteristics of a wholesaler.

Ans. A wholesaler is a trader who purchases goods in bulk from producers and sells them to retailers in small quantities.

His characteristics are:

- (i) A wholesaler purchases in bulk and sells in small quantities.
- (ii) He usually deals in a few goods.
- (iii) He is a link between the producer and the retailer.
- (iv) He operates in an area determined by the producer.

3. What type of services a wholesaler provides to consumers ?

Ans. A wholesaler provides following services to consumers :

- (i) He makes available goods as per the needs of consumers.
- (ii) He helps in maintaining stability in prices by adjusting the supply of goods.
- (iii) A wholesaler helps in making large scale production possible and thereby helping consumers to get low price goods.
- (iv) He keeps ready stocks for retailers who in turn meet consumer needs.
- (v) Provide knowledge of new products to retailers and consumers.

4. Define a retailer.

Ans. A retailer is a person who sells goods to the consumers. He is the last middleman in the chain of distribution. He is a link between the wholesaler and consumer. He maintains personal contact with his customers. He deals in a variety of merchandise and is often known as general merchant.

5. Who are itinerant retailers ?

Ans. These are the retailers who do not possess any shop of their own and who move from place to place to sell their wares. They are travelling and wandering sellers and include hawkers, pedlars, cheap jacks, market traders, street traders etc. The capital investment of these traders is small and they do not stick to one type of product.

6. What type of services retailers provide to wholesalers ?

Ans. Retailers providing following types of services to wholesalers:

- (i) Retailers provide market information to wholesalers.
- (ii) They give access to market various products dealt by the wholesalers.
- (iii) They sell goods in small quantities to consumers thus helping wholesalers to concentrate on bulk supplies.
- (iv) They act as a link between wholesalers and consumers.

7. State the meaning of a departmental store.

Ans. A departmental store is a large scale retail organisation having a number of departments under one roof. Each department specialises in one particular kind of trade. All the departments are centrally organised and are under one united management and control. These departments are located at important central places of big cities. A large number of departmental stores are coming up these days at all big cities.

8. What are the characteristics of chain stores ?

Ans. A chain store system is a network of branch shops situated at different localities of the same place and at different parts of the country.

Following are the other characteristics of chain stores :

- (i) Chain stores specialise in one particular range of products.
- (ii) They are horizontally integrated under centralised control.
- (iii) They deal in 'cash and carry' principle.

- (iv) Prices of products are fixed.
- (v) They emphasise large and quick turnover.

18. INTERNATIONAL BUSINESS

Multiple Choice Questions

1. **The business between the boundaries of a country is called :**
 - (a) Domestic business
 - (b) International business
 - (c) Entrepot trade
 - (d) Foreign trade
 2. **The business between two or more countries is known as :**
 - (a) Domestic business
 - (b) Wholesale trade
 - (c) Retail business
 - (d) International business
 3. **How many types of business can take place :**
 - (a) Two types
 - (b) Three types
 - (c) Four types
 - (d) Five types
 4. **Which of these trades involves more risks ?**
 - (a) External trade
 - (b) Internal trade
 - (c) Retail trade
 - (d) Wholesale trade
 5. **A Bill of Lading is a document showing:**
 - (a) That goods are ready for export
 - (b) Goods are being sent to importer
 - (c) Title to the goods
 - (d) Goods are already exported
1. (a) 2. (d) 3. (b) 4. (a) 5. (c)

Fill in the Blanks:

1. International business takes place between countries.
 2. International business involves risks as compared to internal trade.
 3. A trader in Delhi selling goods to a trader in Chennai is called trade.
 4. International business takes place in an acceptable currency.
 5. There are restrictions on entrepot trade.
 6. Import-Export Code Number is issued by Authority.
 7. The permission of authorities is essential before exporting the goods.
1. two or more; 2. more; 3. internal; 4. foreign; 5. more; 6. Regional Licensing; 7. Custom.

TRUE or FALSE

1. International business involves two or more countries.
 2. Trade formalities in internal business are too many.
 3. International business is based on the theory of comparative cost.
 4. Purchase of goods for the purpose of resale to another country is called import trade.
 5. International business involves risks and uncertainties.
1. (T) 2. (F) 3. (T) 4. (F) 5. (T)

One Word to One Sentence Answer Questions

1. **What is international Trade ?**
Ans. Business between two or more countries is called international business.
2. **Name various types of international trade.**
Ans. (i) Import Trade (ii) Export Trade (iii) Entrepot Trade
3. **When goods are imported from other countries, which type of business is it?**
Ans. Import business.
4. **When goods are sold to other countries, name the type of business ?**

Ans. Export business.

5. **When goods are imported from outside with a view to export them to other countries, name the type of trade ?**

Ans. Entrepot trade.

SHORT QUESTION ANSWERS

1. **What is meant by International Business ?**

Ans. Business between two or more countries is called international business or foreign trade. It involves exchange of goods or/and services between two or more countries. When the citizens of one nation exchange goods and services with the citizens of another nation, it is called external trade for example, India's trade with USA, Japan, China is known as external trade.

2. **Give the classification of international business.**

Ans. International Business can be classified as follows :

- (i) **Import Business.** It refers to the purchase of goods from a foreign country. Countries normally import goods which are not produced by them either because of cost disadvantage or because of physical difficulties or even those goods which are not produced in sufficient quantities.
- (ii) **Export Business.** When goods are sold to a foreign country then it is called export trade. The export of goods from India to USA, U.K., France will be called export trade.
- (iii) **Entrepot Business.** Sometimes goods are imported from one country with the objective of selling or exporting them to some other countries, it is called entrepot trade. It helps in exchange of surplus goods among different countries.

3. **State the need for International Business (two reasons):**

Ans. External trade is necessary for the following reasons:

- 1. **Uneven Distribution of Natural Resources.** Natural resources of the world are not evenly divided amongst the nations. Different countries of the world have different amount of natural resources. Some countries can produce some goods in more quantity and at cheap cost as compared to others. Similarly, other countries can produce some other goods in a better way. So all countries depend upon each other for some goods, so external trade happens.
 - 2. **Differences in Economic Growth Rate.** There are many differences in the economic growth rates of different countries. Some countries are developed, some are developing, while some are under developed. The underdeveloped countries have to depend upon developed countries for importing many goods which they need but are not producing. This reason helps in the development of foreign trade.
4. **Describe any two problems faced in international business.**

Ans. The problems faced in external trade are :

- 1. **Transport and Communication.** Long distance among different countries creates difficulties as compared to internal trade. When goods are brought from distant places then these are exposed to many risks. Goods in transit on overseas are susceptible to the perils of the sea. In covering up such risks it involves higher costs.
 - 2. **Import and Export Restrictions.** Every country has its own laws, customs and import, export restrictions and regulations. Exporters and importers have to fulfil all the custom formalities as well as follow rules controlling foreign trade. This problem creates many difficulties in external trade.
5. **What is the procedure for getting code from Reserving Bank of India for export purposes ?**

Ans. An exporter is required to get a code number from Reserve Bank of India. The concerned person or firm will have to apply in a prescribed form CNX (Code number for Exporters). The application will contain information about the type of organisation, the nature of products to be exported, permanent account number of income tax etc. The application is submitted to Divisional Office of RBI. The bank will allot a code number to the party, if the particulars are in order.