

CHAPTER 1 HISTORICAL BACKGROUND OF COMMERCE IN THE SUB-CONTINENT

Very Short Answer Questions

1. What is meant by Barter system?
 - The barter system envisages mutual exchange of one's goods to other without the intervention of money as a medium of exchange.
2. What is meant by Nallangadi?
 - Day market was called as Nalangadi according to Saint Poet Ilango in Silapathigaram
3. What is meant by 'Angadi'?
 - The place where the goods were sold was called 'Angadi' in their period according to Saint Poet Ilango in Silapathigaram
4. Who is Yavanars?
 - Foreigners who transacted business were known as Yavanars.
5. Who is Jonagar?
 - Arabs who traded with Tamil were called 'Jonagar'.
6. What is meant by Allangadi?
 - the night market was called as Allangadi according to Saint Poet Ilango in Silapathigaram

Short Answer Questions

1. Explain the meaning of the term "Vanigam".
 - Activities involving distribution of goods and services
 - It creates place utility by moving goods from producers to consumers
 - It represents demand side of goods and services
2. State the meaning of Maruvurapakkam and Pattinapakkam.
 - Big cities like Poompuhar had the 'Maruvurappakam' (inland town) and 'Pattinapakkam' (coastal Town), had market and bazaars where many merchants met one another for the purpose of selling or buying different kinds of commodities and food stuff.
3. What are the ports developed by Pandiya kingdom?
 - Korkai,
 - Saliyur,
 - Kayal,
 - Marungaurpattinam
 - Kumari
4. What was focused in Arthasasthra about creation of wealth?
 - Kautilya gave importance for the State in relation to treasury, taxation, industry, commerce, agriculture and conservation of natural resources
 - Arthasasthra focused on creation of wealth as the means to promote the well being of the state.
 - He advocated maintenance of perfect balance between State management and people's welfare through trading activities

Long Answer Questions

1. What are the hindrances of business?
 - **Hindrance of person**
 - **Hindrance of place**
 - **Hindrance of time**
 - **Hindrance of risk of deterioration in quality**
 - **Hindrance of risk of loss**
 - **Hindrance of knowledge**
 - **Hindrance of exchange**
 - **Hindrance of finance**
 - **Hindrance of developing the exact product**
 - **Hindrance of both selection and delivery at doorsteps**
2. Explain any five hindrances of business
 - a. **Hindrance of person**
 - There is no direct connection between the consumer and the manufacturer is called hindrance of person
 - Trade removes Hindrance of person
 - b. **Hindrance of place**
 - The space between the location of the consumption and the place of production is called Hindrance of place
 - Transport removes Hindrance of place
 - c. **Hindrance of time**
 - The gap between production time and time of consumption is called Hindrance of time
 - Warehousing removes Hindrance of time
 - d. **Hindrance of risk of loss**
 - Fire, theft, floods and accidents may bring huge loss to the business. Insurance companies serve to cover the risk of such losses
 - e. **Hindrance of knowledge**
 - Advertising and communication help in announcing the arrival of new products and their uses to the people
3. State the constraints in barter system.
 1. **Lack of double coincidence of Wants**
 - Unless two persons who have surplus have the demand for the goods possessed by each other, barter could not materialize
 2. **Non – existence of common measure of value**
 - Barter system could not determine the value of commodities to be exchanged as they lacked commonly acceptable measures to evaluate each and every commodity

3. Lack of direct contact between producer and consumers

- It was not possible for buyers and sellers to meet face to face in many contexts for exchanging the commodities for commodities.

4. Lack of surplus stock

- Absence of surplus stock was one of the impediments in barter system.
- If the buyers and sellers do not have surplus then no barter was possible

4. Explain the development of Commerce and Trade in North India.

- Balban was the first sultan who paved the way in the dense forest and helped traders and their commercial caravans to move from one market place to others
- Alauddin Khilji brought the price to a very low ebb.
- He encouraged import of foreign goods from Persia and subsidised the goods
- Arabs were dominant players in India's foreign trade.
- They never discouraged Indian traders like Tamils, Gujaratis, etc..
- The Trade between the coastal ports were in the hands and Marwaris and Gujaratis.
- During Sultanate period, trade flourished due to the establishment of currency system based on silver and copper.
- Moorish traveller described the teeming market of big cities in the Gangetic plains, Malwar, Gujarat and South India.
- The important trade centres were Delhi, Mumbai, Ahmedabad, Sonar, Sonargoon, Jaunpur, Lahore and so on.
- India's handicraft commanded a good foreign market
- Trade was conducted through overland routes with Afghanistan, Central Asia and Persia
- India conducted foreign trade via land route with Quetta, Khyber pass, Iraq and Bukhara.

5. Briefly explain the coastal trade in ancient Tamilnadu.

- Big cities like Poompuhar had the 'Maruvurappakam' (inland town) and 'Pattinapakkam' (coastal Town), had market and bazaars where many merchants met one another for the purpose of selling or buying different kinds of commodities and food stuff
- Port towns like Tondi, Korkai, Puhar and Muziri were always seen as busy with marts and markets with activities related to imports and exports.
- In such a brisk trade, people of the coastal region, engaged themselves in coastal trade and developed their intercontinental trade contacts.
- They were engaged in different kinds of fishing pearls, and conches and produced salts and built ships

- Boats like 'Padagu', 'Thimil', 'Thoni', 'Ambu' 'Odampunai' etc... were used to cross rivers for domestic trade while Kalam, Marakalam, Vangam, Navai etc.. were used for crossing oceans for foreign

6. What do you know about the overseas trading partners of ancient Tamilnadu?

- Foreigners who transacted business were known as Yavanars.
- Arabs who traded with Tamil were called 'Jonagar'.
- Pattinappalai praised Kaveripumpattinam as a city where various foreigners of high civilization speaking different languages assembled to transact business with the support of the then Kingdom.
- The role of the State in trade related to two aspects namely adequate infrastructure to sustain the trade and administrative machinery for taxation.
- During the Sangam period, the main trade routes were passing through thick forests over western ghats.
- The State protected the merchant caravans on these trade routes from robbers and wild life.
- Main roads known as Peruvali were built for surface transportation.
- Besides state expanded infrastructure for shipping such as ports, lighthouse, warehouse etc.. to promote overseas trade.
- Many such ports were developed during the Sangam period.
- Kaveripumpattinam was the chief port of the Kingdom of Cholas while Nagapattinam, Marakannam, Arikamedu etc. were other small ports on east coast.
- Similarly Pandiyas developed Korkai, Saliyur, Kayal, Marungaur pattinam and Kumari for foreign trade.
- The State Governments installed check posts to collect customs along the highways and the ports.

CHAPTER 2 OBJECTIVES OF BUSINESS

Very Short Answer Questions

1. Define Economic Activities.
Economic activities are those activities which are undertaken to earn money or financial gain for livelihood.
2. What do you mean by Business?
According to **James Stephenson** business refers to "Economic activities performed for earning profits."
3. Define Profession.
 - Professions are those occupations which involve rendering of personal services of a special and expert nature.
 - A profession is something which is more than a job.
4. What do you mean by Employment?
It refers to the occupation in which people work for others and get remuneration in the form of wages or salaries

Short Answer Questions

1. What do you mean by human activities? Explain.
 - Human activity is an activity performed by a human being to meet his/her needs and wants or may be for personal satisfaction.
 - Human activities can be categorised into economic and non-economic activities
2. Write short notes on:
 - a) Business
 - Business refers to any human activity undertaken on a regular basis with the object to earn profit through production, distribution, purchase and sale of goods and services
 - b) Profession
 - Professions are those occupations which involve rendering of personal services of a special and expert nature.
 - A profession is something which is more than a job
3. Explain the concept of 'Business'.
 - Business refers to any human activity undertaken on a regular basis with the object to earn profit through production, distribution, purchase and sale of goods and services
 - Business activities are connected with raising, producing or processing of goods.
 - Industry creates form utility to goods by bringing materials into the form which is useful for intermediate consumption (i.e., further use of material in order industry) or final consumption by consumers.
4. Briefly state the human objectives of a business.

Economic Activities

Activities undertaken with the object of earning money are called economic activities.

Examples:

- i. Production of goods by manufacturers
- ii. Distribution of goods by wholesalers
- iii. Selling by retailers

Non-Economic Activities

Activities undertaken to satisfy social and psychological needs are called non economic activities.

Examples:

- i. Cooking food for family
- ii. Celebrating festivals

Long Answer Questions

1. Explain the characteristics of Business
 - i. **Production or Procurement of Goods**
 - Goods must be produced or procured in order to satisfy human wants.
 - ii. **Sale, Transfer or Exchange**
 - There must be sale or exchange of goods or services.

- When a person weaves cloth for his personal consumption, it is not business because there is no transfer or sale.
 - iii. **Dealing in Goods and Services**
 - Goods produced or procured may be consumer goods like cloth, pen, brush, bag etc., or producer-goods like plant and machinery
 - Services refer to activities like supply of electricity, gas or water, transportation, banking, insurance etc.
 - iv. **Regularity of Dealings**
 - An isolated dealing in buying and selling does not constitute business
 - The transactions must be regular.
 - The buying and selling must be recurrent to constitute business.
 - v. **Element of Risk**
 - The profit that is expected in a business is always uncertain because it depends upon a number of factors beyond the control of the businessman.
2. Compare business with profession and employment

	Business	Profession	Employment
Mode of Establishment	Promoter's decision registration and other formalities as prescribed by law	Membership of a professional body or certificate of practice	Service contract or letter of appointment
Nature of Work	Goods and services provided to the public	Personalized service of expert nature	Performing work assigned by the employer
Reward	Profits	Professional fee	Salary or wages
Risk	Profits are uncertain and irregular	Fee is regular and certain, never negative	Fixed and regular pay, no risk
Transfer of Interest	Transfer possible with some formalities	Not possible	Not transferable

3. Discuss any five objectives of business

A. Economic Objectives

- Economic objectives of business refer to the objective of earning profit and also other objectives that are necessary to be pursued to achieve the profit objective, which includes creation of customers, regular innovations and best possible use of available resources.

B. Social Objectives

- Social objectives are those objectives of business, which are desired to be achieved for the benefit of the society

C. Organizational Objectives

The organizational objectives denote those objectives an organization intends to accomplish during the course of its existence in the economy like expansion and modernization, supply of quality goods to consumers, customers' satisfaction, etc.

D. **Human Objectives**

Human objectives refer to the objectives aimed at the well-being as well as fulfilment of expectations of employees as also of people who are disabled, handicapped and deprived of proper education and training.

E. **National Objectives**

Being an important part of the country, every business must have the objective of fulfilling national goals and aspirations

4. Distinguish between economic and non economic activity

Basis	Economic activity	Non Economic activity
Motive	Sole motive is to earn money or financial gain.	Undertaken for satisfaction of social, psychological or emotional needs.
Money Measurement	All economic activities can be valued in monetary terms.	Non-economic activities cannot be valued in monetary terms
Relationship	Economic activities are related to creation of wealth.	Non-economic activities do not create wealth
Duration:	Economic activities are repetitive.	Non-economic activities may not be undertaken regularly.
Source of Initiation	Economic activities are initiated to satisfy human needs and wants	Non-economic activities are initiated to satisfy emotional or sentimental pleasures

CHAPTER 3 CLASSIFICATION OF BUSINESS ACTIVITIES

Very Short Answer Questions:

1. Define commerce.
According to Evelyn Thomas, "Commercial operations deal with the buying and selling of goods, the exchange of commodities and the contribution of finished products".
2. What do mean by industry?
 - Industry refers to economic activities, which are connected with conversion of resources into useful goods.
 - The production side of business activity is referred as industry
3. What is trade?
 - The term 'trade' is used to denote buying and selling.
 - It helps in making the goods produced available to ultimate consumers or users
4. Write a short note on transportation
 - Goods are to be sent to different places where they are demanded.
 - The medium which moves men and materials from one place to another is called transport.

Short Answer Questions

1. Distinguish between Extractive industries and genetic industries.

Extractive industries	genetic industries
These industries extract or draw out products from natural sources	These industries remain engaged in breeding plants and animals for their use in further reproduction
Examples : farming, mining, oil drilling, hunting and fishing operations.	Examples : nursery companies, poultry, dairy, piggery, hatcheries, nursery

2. What do you mean by tertiary industries?
- They do not produce goods.
 - These industries produce utility services and sell them at a profit.
 - They help trade, industry and commerce.
3. Write any three characteristics of commerce.
- Activities involving distribution of goods and services
 - It represents demand side of goods and services
 - It creates place utility by moving goods from producers to consumers
4. Narrate commerce with an example.
- **Commerce** is the exchange of goods, services or commodities on a large scale.
 - Nearly every business transaction is a form of commerce: purchasing food at a restaurant, buying stocks on the stock market, selling goods in a store, drilling for oil, etc.
 - The financial industry often breaks down commerce into more specific categories.

Long Answer Questions

1. Explain the various kinds of industries on the basis of size.
1. Micro Industries
 - In case of Manufacturing Sector Investment in plant & machinery Does not exceed twenty five lakh rupees
 - In case of service Sector Investment in equipments Does not exceed ten lakh rupees
 2. Small Industries
 - In case of Manufacturing Sector Investment in plant & machinery More than twenty five lakh rupees but does not exceed five crore rupees
 - In case of service Sector Investment in equipments More than ten lakh rupees but does not exceed two crore rupees
 3. Medium Industries
 - In case of Manufacturing Sector Investment in plant & machinery More than five crore rupees but does not exceed ten crore rupees
 - In case of service Sector Investment in equipments More than two crore rupees but does not exceed five crore rupees
 4. Large Industries
 - Large scale industries refers to those industries which require huge infrastructure, man power and a have influx of capital assets.

- The term 'large scale industries' is a generic one including various types of industries in its purview.
- All the heavy industries of India like the Iron and steel industry, textile industry, automobile manufacturing industry fall under the large scale industrial arena

2. Compare industry, commerce and trade.

Basis	industry	Commerce	Trade
MEANING	Extraction, reproduction, conversion, processing and construction of useful products.	Activities involving distribution of goods and services	Purchase and sale of goods and services
SCOPE	Consists of all activities involving conversion of materials and semi-finished products into finished products.	Comprises trade and auxiliaries to trade.	Comprises exchange of goods and services.
CAPITAL	Generally large amount of capital is required.	Need for capital is comparatively less	Capital is needed to maintain stock and grant credit
RISK	Risk involved is usually high	Relatively less risk is involved.	Relatively less risk is involved.
SIDE	It represents supply side of goods and services.	It represents demand side of goods and services.	It represents both supply and demand.

3. What are the characteristics of commerce?

- Commerce is an economic activity because it is undertaken to earn profit.
- Commerce involves the exchange of goods and services for profit.
- The primary objective of Commerce is to earn profit
- Commerce involves the creation of time and place utility for the products.
- Commerce consists of regular transaction.

4. Write short notes on:

a. Analytical industry

- **Analytical Industry** which analyses and separates different elements from the same materials, as in the case of oil refinery

b. Genetic Industry

- These industries remain engaged in breeding plants and animals for their use in further reproduction
- Examples : nursery companies, poultry, dairy, piggery, hatcheries, nursery

c. Construction Industry

- These industries are involved in the construction of building, dams, bridges, roads, as well as tunnels and canals.

4. Briefly explain the auxiliaries to trade

Following are the important auxiliaries to trade :

(a) Transportation

- ❖ Production of goods generally takes place in particular location.
- ❖ But these goods are demanded for consumption in different parts of the country.
- ❖ This hindrance of place can be removed by transportation— road, rail or coastal shipping, etc

(b) communication:.

- ❖ the hindrance of information is removed by communication.
- ❖ Communication helps in exchange of information between producers, consumers and traders.

(c) Banking and finance

- ❖ Banks and financial institution provide credit facility to provide finance for smooth flow of business activities.
- ❖ Other facilities like collection and deposit of cheques, issue of bank draft, discounting of bills of exchange, etc. are also provided by banking institutions.

(d) Warehousing :

- ❖ Goods are not consumed immediately when these are produced usually there is a time gap between production and consumption of goods special arrangement has to be made to store the goods to prevent the loss to goods and to keep them fresh.
- ❖ Warehousing helps the businessman to overcome the problem of storage by creating time utility.

Chapter 4 SOLE PROPRIETORSHIP

Very short answer

1. Who is called a Sole Trader?

“Sole trader is a type of business unit where a person is solely responsible for providing the capital, for bearing the risk of the enterprise and for the management of business” - **J.L.Hansen**

2. What are the Non-corporate enterprises?

- ❖ Sole trading concern
- ❖ Partnership Firm
- ❖ Joint Hindu family business

3. What are the Corporate enterprises?

- ❖ Government
 - ✓ Public Undertakings
 - ✓ Public Utilities
- ❖ Private
 - ✓ Joint stock companies
- ❖ Cooperative

4. For which of the following types of business do you think a sole proprietorship form of organisation would be more suitable, and why?

- a. Grocery store b. Medical store c. Craft centre d. Legal consultancy
e. Internet café (f) Chartered accountancy firm

- Sole proprietorship form of business organisation will be more suitable for grocery store, medical store, craft centre and internet cafe.

Reason:

- These businesses require less capital, limited managerial talent. These businesses also require personalised services and the risk is some how low in such business.
- On the other hand legal consultancy and chartered accountancy firm are not so much suitable for sole proprietorship as they require more capital, balanced decision-making, better management and the associated risk is also very high.

Short Answer Questions

1. How is it possible to maintain secrecy in sole proprietorship?

- Absolute secrecy can be maintained by the sole proprietor,
- Secrecy is not practicable in other form of organization.
- The success of an enterprise in a competitive world mainly depends upon the capacity of the entrepreneur to keep his trade affairs as far as possible secrets from his competitors
- Moreover, a sole proprietor is not required to disclose his profits or financial position to the members of the public.

2. What is unlimited liability?

- Proprietor is liable for all the debts of the business.
- In case the assets are insufficient to meet the debts, the personal property of the proprietor can be attached.

3. Write any three characteristics of Sole Proprietorship.

1. Single ownership:

- A sole proprietorship is wholly owned by one individual.
- The individual supplies the total capital from which his own wealth or from borrowed funds.

2. One man control

- The proprietor alone takes all the decisions pertaining to the business.
- He is not required to consult anybody.
- Ownership and management are vested in a person.

3. No legal entity:

- A sole proprietorship has no legal entity separate from its owner.
- The law makes no distinction between the proprietor and the business.
- The assets and liabilities of the business and its proprietor are not different.

4. Give some examples of Sole trading business.

- a. Grocery store
- b. Medical store
- c. Craft centre
- d. Internet café

5. Define Sole trading business.

- “Sole proprietorship is that form of business organisation which is owned and controlled by a single individual. He receives all the profits and risks all of his property in the success or failure of the enterprise”.- **Wheeler**

Long Answer Questions

1. Explain the characteristics of Sole trading business.

4. Single ownership:

- A sole proprietorship is wholly owned by one individual.
- The individual supplies the total capital from which his own wealth or from borrowed funds.

5. One man control

- The proprietor alone takes all the decisions pertaining to the business.
- He is not required to consult anybody.
- Ownership and management are vested in a person.

6. No legal entity:

- A sole proprietorship has no legal entity separate from its owner.
- The law makes no distinction between the proprietor and the business.
- The assets and liabilities of the business and its proprietor are not different.

7. No profit sharing:

- The proprietor is all alone entitled for all the profits and the losses of the business.
- He bears the complete risk and there is nobody to share the risks, workload or any profit or losses

8. Small size

- The scale of operation carried out by sole proprietor is generally small.

9. Unlimited liability

- Proprietor is liable for all the debts of the business.
- In case the assets are insufficient to meet the debts, the personal property of the proprietor can be attached.

2. What are the advantages of Sole trading business?

1. Easy to form

- The outstanding advantage of sole proprietorship is that it can be formed very easily and quickly.
- No legal complications are involved except that a license has to be taken from the local authority.

2. Secrecy of business

- Absolute secrecy can be maintained by the sole proprietor,
- Secrecy is not practicable in other form of organization

3. Flexibility in operation

- A sole proprietor can take full advantage of entrepreneurial opportunities.
- He can change the course or line of the business at any time as may be required by a particular situation.

4. Quick decision

- Solo proprietorship is the only concern where the owner is supreme judge of his business.
- He can avail of business opportunities as and when they arise.

5. Free from legal restriction

- There is no special Act which governs sole proprietorship.
- Even registration is not mandatory unless you want to avail same benefits.

3. What are the disadvantages of Sole trading business?

1) Limited capital:

- Its capital is limited due to the investment of a single owner.
- Such limited capital is insufficient for large-scale production and marketing of goods and services.

2) Limited managerial ability:

- It is managed by a single owner who may not have adequate managerial skills and technical abilities.
- So, it may face various managerial deficiencies.

3) Unlimited liability

- The sole trader does not have limited liability to his business capital.
- The owner must pay the liability of his business even by selling his private properties if the assets of the business are not sufficient to meet such liabilities.

4) Loss in absence

- It may come to close if the proprietor remains absent from his business due to his illness or other reasons.
- So, if the owner or proprietor is absent, the business may face the loss.

5) Uncertain life

- Its life is closely connected with the life of the owner.
- So, it can be terminated any time due to death, lunacy, insolvency or disability of the owner.

Chapter 5 Hindu undivided family and Partnership

Very Short Answer Questions

1. Who is called KARTA?

- The Karta is the manager of HUF and have wide powers by way of controlling the affairs of the HUF.
- The Karta enjoys his position in the HUF by operation of law without any agreement and consent of other members of HUF.

2. What are the two schools of Hindu law?

1. The Dayabhaga school,
2. The Mitakshara school.

3. Who is called a Partner?

Persons who enter into partnership are individually called “Partners”

4. Who is a Sleeping partner?

The partners who merely contribute capital and do not take active interest in the conduct of the business of the firm are called sleeping or dormant or financing partner

5. Who is a Minor?

- A minor is a person who has not completed 18 years of age,
- where a guardian is appointed by a court, his age of majority extends to 21 years.

6. How many types of Dissolution?

- a) Dissolution of firm
- b) Dissolution of partnership

III. Short Answer Questions

1. What is the meaning of Joint Hindu Family Business?

“When two or more families agree to live and work together, invest their resources and labour jointly and share profits or losses together, then this family is known as composite family or HUF”

2. Write any 3 features of HUF.

Formation:

- To begin a Hindu Undivided Family there must be a minimum of two related family members.
- There must be some assets, business or ancestral property that they have inherited or will eventually inherit.
- The formation of a HUF does not require any documentation and admission of new members is by birth.

Liability

- The liability of all the various co-parceners is only up to their share of the property or business.
- So they have limited liability.
- But the Karta being the head of the HUF has unlimited liability.

Control

- The entire control of the entity lies with the Karta.
- He may choose to confer with the co-parceners about various decisions, but his decision can be independent. His actions will be final and also legally binding.

Continuity:

- The HUF can be continued perpetually.
- At the death of the Karta, the next eldest member will become the Karta

Minority

- The members are eligible to be co-parceners by the virtue of their birth into the family.
- So in this case, even minor members will be a part of the HUF.
- But they will enjoy only the benefits of the organisation

3. Explain the nature of liability of karta.

Liability

- The liability of all the various co-parceners is only up to their share of the property or business.
- So they have limited liability.
- But the Karta being the head of the HUF has unlimited liability.

4. What is the meaning of Coparceners?

- The members in the joint hindu family are called Coparceners
- The liability of all the various co-parceners is only up to their share of the property or business. So they have limited liability.

5. Define Partnership.

According to **Prof.Haney**, “The relations which exist between persons, competent to make contracts, who agree to carry on a lawful business in common with a view to private gain”.

6. What is the minimum and maximum number of members in the partnership concern?

- minimum number of persons 2
- Maximum is restricted to 10 in the case of banking business and to 20 in all other cases.

7. What is the meaning of Partnership Deed?

- A Partnership Deed is a written agreement among the partners specifying rules and regulations and is signed by all the partners and stamped as per the Stamp Act with an aim to prevent possible disputes & disagreements among the partners at a future date.

8. Who is called a Secret partner?

- a partner whose membership in a partnership is kept secret from the public
- he is like rest of the partners in all respects

9. What is meant by Joint and Several Liability?

- The liability of partners is joint and several.
- The creditors of partnership firm can claim their dues from the private assets of all the partners taken together or they can take action against the private properties of any one of the partners to get back their dues

Long Answer Questions

1. What is the implied authority of Karta?
 - The Karta has an implied authority to contract debts for the purpose of family business or for any other family purposes.
 - The creditor can make the entire joint family liable for such debts.
 - The Karta can also execute a promissory note on behalf of the family.
 - The other members of the family may be sued on the note even if they are not parties to the note.
 - Their liability is limited to the share in the joint family property, though the Karta is personally liable on the note.
2. Can a minor is admitted in the Joint Hindu Family business – Why?
 - Yes , a minor is admitted in the Joint Hindu Family Business because The membership in this form of business organisation can be acquired only by birth or by marriage to a male person who is already a member of Joint Hindu Family
3. What are the contents of Partnership Deed?
 - **Name of the firm and Its Address** : The deed should contain of the firm and place of its business.
 - **Name and Address of Partners** : The deed should also contains the names and address of all partners.
 - **Nature of Firm's Business** : The nature of business proposed to be carried and its limitation should be included in it.
 - **Duration of Partnership** : It the partnership is established for a fixed duration or for a fixed work, it should be stated in it.
 - **Partners' Capitals** : The deed should contain the total amount of capital and contributions by each partner.
 - **Interest on Capital** : If the partners decide to change interest on their capitals, the rate should be mentioned in the deed.
 - **Drawing and Interest on Them** : The deed should contain the limit of drawings by every partner and the rate of interest to be charged.
 - **Division of Profit** : Profit and loss sharing ratio should be stated in the deed. If it is not mentioned partners are authorized to share equally according to Partnership Act.
 - **Accounts and Audit** : The procedure of keeping accounts and their audit should also be stated in it
 - **Dissolution of Partnership** ; The deed should contain the firm and the method of the final
 - **settlement of accounts.**: The procedure of keeping accounts and their audit should also be stated in it.
 - **Dissolution of Partnership** ; The deed should contain the firm and the method of the final settlement of accounts.

3. Explain the types of dissolution of partnership firm.

By agreement (Sec. 40):

A firm may be dissolved with the consent of all the partners or in accordance with a contract between the partners. Partnership is created by contract; it can also be terminated by contract.

Compulsory dissolution (Sec. 41):

A firm is compulsorily dissolved under any of the following circumstances:

- (a) When all the partners, or all the partners but one, are adjudged insolvent; or
- (b) When some event has happened which makes it unlawful for the business of the firm to be carried on or for the partners to carry it on in partnership

On the happening of certain contingencies (Sec. 42)

Subject to contract between the partners, a firm is dissolved:

- (a) If constituted for a fixed term, by the expiry of that term;
- (b) If constituted to carry out one or more adventures or undertakings, by the completion thereof;
- (c) By the death of a partner
- (d) By the adjudication of a partner as an insolvent.

By notice (Sec. 43)

Where the partnership is at will, the firm may be dissolved by any partner giving notice in writing to all the other partners of his intention to dissolve the firm. A notice of dissolution once given cannot be withdrawn without the consent of other partners

Dissolution by the Court (Sec. 44):

Dissolution of a firm by the Court is necessitated when there is a difference of opinion between the partners regarding the matter of dissolution

- a. When a partner becomes insane
- b. Permanent incapacity of any partner
- c. Misconduct of any partner
- d. Breach of agreement which makes the business impracticable
- e. Transfer of interest to third person
- f. Continued loss
- g. When the court finds that it is just and equitable to dissolve the firm

4. Write any three differences between Dissolution of Partnership and Dissolution of Firm.

BASIS FOR COMPARISON	DISSOLUTION OF PARTNERSHIP	DISSOLUTION OF FIRM
Nature	Voluntary	Voluntary or Compulsory
Business	Business of the firm continues as before.	Business of the firm comes to an end.
Economic relationship	Continues to exist but in a changed form	Comes to an end.
Account	Revaluation account is created.	Realisation account is prepared.
Books of Account	Books of accounts are not closed	Books of accounts are closed.

5. Write the procedure for Registration of a Firm.

Choose a partnership name.

- The partners are free to choose any name as they desire for their partnership firm

Create a partnership deed.

- The document in which the respective rights and obligations of the members of a partnership is written is called the Partnership Deed.
- A partnership deed agreement may be written or oral.

Consider whether additional clauses are needed. The partners may also mention any additional clause

Do the partnership deed in the appropriate form.

- The deed so created by the partners should be on a stamp paper in accordance with the Indian Stamp Act. Each partner should have a copy of the partnership deed

Decide whether or not to register the partnership firm.

- Partnerships in India are governed by the Indian Partnership Act, 1932.
- As per the Partnership Act, registration of partnership firms is optional and is entirely at the discretion of the partners

Register.

- The procedure for registration of a partnership firm in India is fairly simple.
- An application and the prescribed fees are required to be submitted to the Registrar of Firms of the State in which the firm is situated.

The following documents are also required to be submitted along with the application:

1. Application for Registration of Partnership in Form No. 1
2. Duly filled specimen of Affidavit
3. Certified True Copy of the Partnership Deed
4. Ownership proof of the principal place of business or rental/lease agreement thereof.

Sign the application.

- ❖ The application or statement must be signed by all the partners, or by their agents especially authorised in this behalf

Expect the registration process to proceed formally.

- ❖ When the registrar is satisfied with the points stated in the partnership deed, he or she shall record an entry of the statement in a register called the Register of Firms and issue a Certificate of Registration.

6. Explain different kinds of partners

1) Active Partner

- An active partner is one who takes active part in the day-to-day working of the business
- He may also be called a working partner.

2) Sleeping or Dormant Partner:

- A sleeping partner is one who contributes capital, shares profits and contributes to the losses of the business but does not take part in the working of the concern

3) Nominal Partner:

- 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 the third parties.
- A nominal partner is liable to those third parties who give credit to the firm on the assumption of that person being a partner in the firm.

4) Partner in Profit:

- A person may become a partner for sharing the profit only.
- He contributes capital and is also liable to third parties like other partners

5) Partner by Estoppel or Holding Out:

- When a person is not a partner but poses himself as a partner, either by words or in writing or by his acts, he is called a partner by estoppel or by holding out

7. Explain various types of Partnership firm?

1) General or Unlimited Partnership

- A partnership in which the liability of all the partners is unlimited is known as unlimited partnership.
- All the partners can take part in the working of the business.

General partnership can be classified into three types

1. partnership-at-will,
2. particular partnership

3. Joint venture..

a. Partnership-at-will

- Partnership-at-will is a partnership which is formed to carry on business without specifying any period of time.
- The life of such a partnership continues as long as the partners are willing to continue it as such.

b. Particular Partnership

- It is a partnership established for a stipulated period of time or for the completion of a specified venture.

It automatically comes to an end with the expiry of the stipulated period or on the completion of the specified venture, as the case may be

c. Joint Venture

- A joint venture is a temporary partnership which is formed to complete a specific venture or job during a specified period of time.
- Every partner does not have the right of implied agency.
- No partner can withdraw his interest in the firm before the completion of the venture.
- The partnership comes to an end if the construction is over.

2. Limited Partnership

- A partnership in which the liability of the partner is limited is called limited partnership.
- A limited partnership firm must have at least one partner whose liability is unlimited.
- The liability of remaining partners is limited.

8. Explain any five merits of Partnership firm?

1. **Easy to Form**

- it can be easily organized.
- There are no legal formalities required in this type of business.
- The partners enter into a partnership and start business.

2. **Favorable Credit Standing**

- The second merit is partnership enjoys a better credit rating in the eyes of creditors.
- As the liability of each partner in the organization is unlimited, the financial institutions can safely advance loans to the firms.

3. Large capital

- it brings more and more capital to the business by the joint efforts of the partners.

4. Great Management Ability

- there are many partners involved in the business operation of the partnership, due to which the firm can distribute the duties and responsibilities to each partner as best suited to him

5. Profit incentive

- The profit is always shared by the partners according to the agreement.

9. Explain any five demerits of partnership firm?

A. Unlimited Liability

- One of the basic demerits of partnership is that the partners are personally and jointly responsible for all the debts of the firm.
- In case the business suffers losses and then the personal property of partners can be sold under the court order for the clearance of the debts of the business

B. Limited Life of Firm

- The duration of business is always uncertain.
- It can be dissolved in case of partner's death, withdraws and sell his interest etc

C. Frozen Investment

- It is very easy to invest his money in the partnership by a partner but very difficult to withdrawn any funds from the business.

D. Possibility of Misuse of Resources

- As the resources of the firm are owned by the partners jointly leads to misuse these resources by the partner/ partners.

E. Loss of Business Opportunities

- One of the demerits is that in case of differences in view among the partners, a delay may take place in decision-making.
- This can cause loss to the business.

Chapter 6 Joint Stock Company

1. What are the different types of companies?
 1. **The Basis of Incorporation**
 - a. **Chartered Companies**
 - b. **Statutory Companies**
 - c. **Association Not for Profit**
 7.
 2. **Basis of Membership**
 - a. **Private Company**
 - b. **Public Company**
 3. **On the Basis of Liability**
 - a. **Company Limited by Shares**
 - b. **Company Limited by Guarantee**
 - c. **Unlimited Company**
 4. **On the Basis of control**
 - a. **Government Companies**
 - b. **Holding Companies**
 - c. **Subsidiary Companies**
 5. **On the Basis of Nationality**
 - a. **Domestic Companies**
 - b. **Foreign Companies**
 - c. **Multi National Companies**
2. Define a Company.

“A company is an artificial person created by law having a separate entity with a perpetual succession and a common seal”. - *Sec 2 of Companies Act 2013*
3. What is meant by Limited liability?
 - The liability of the members of the company is limited to contribution to the assets of the company up to the face value of shares held by him.
 - A member is liable to pay only the uncalled money due on shares held by him
4. Explain any two characteristics of a company.

Separate Legal Entity

 - The company is distinct and different from its members.
 - It has its own seal and its own name, its assets and liabilities are separate and distinct from those of its members.

Limited liability

 - The liability of the members of the company is limited to contribution to the assets of the company up to the face value of shares held by him.
 - A member is liable to pay only the uncalled money due on shares held by him
5. What is meant by Chartered Company?
 - Chartered companies are established by the King or Queen of a country.
 - Powers and privileges of chartered company are specified in the charter.
 - Power to cancel the charter is vested with King/Queen.

Short Answer Questions

1. What are the advantages of Companies?

(Any 3)

2. What is meant by Private Company?

- Private Company is a company having minimum paid up capital of Rs. 1 lakh.
- It also restricts the right to transfer its shares, if any.
- It has limited members up to 200.
- It prohibits any invitation from public for subscription to shares/debentures and
- any acceptance of deposits from persons other than members/directors.

3. What is meant by Government Company?

“Government Companies” as any company in which not less than 51% of the [paid-up share capital] is held by. The Central Government; or Any State Government or Governments; or Partly by the Central Government and partly by one or more State Governments.

4. What is meant by Foreign Company?

These are companies incorporated outside India, establishing a place of business within India.

IV. Long Answer Questions

1. What are the contents of Memorandum of Association?

Name Clause

- The name of the company should be stated in this clause.
- A company is free to select any name it likes.
- But the name should not be identical or similar to that of a company already registered.

Situation Clause

- In this clause, the name of the State where the Company's registered office is located should be mentioned.
- Registered office means a place where the common seal, statutory books etc., of the company are kept

Objects Clause

- This clause specifies the objects for which the company is formed.
- It is difficult to alter the objects clause later on
- This clause mentions all possible types of business in which a company may engage in future.

Liability Clause

- This clause states the liability of the members of the company.
- The liability may be limited by shares or by guarantee.

Capital Clause

- This clause mentions the maximum amount of capital that can be raised by the company.
- The division of capital into shares is also mentioned in this clause

Subscription Clause

- It contains the names and addresses of the first subscribers.
- The subscribers to the Memorandum must take at least one share.
- The minimum number of members is two in case of a private company and seven in case of a public company.

2. What are the contents of Articles of Association?

- I. Amount of shares, capital, value and type of shares
- II. Rights of each class of shareholders regarding voting, dividend, return of capital
- III. Rules regarding issue of shares and debentures
- IV. Procedures as well as regulations in respect of making calls on shares.
- V. Manner of transfer of shares
- VI. Declaration of dividends
- VII. Borrowing powers of the company
- VIII. Rules regarding the appointment, remuneration, removal of directors
- IX. Procedure for conducting proxy, quorum, meetings etc.,
- X. Procedures concerning keeping of books and audits
- XI. Seal of the company
- XII. Procedures regarding the winding up of the company.

3. What is meant by Prospectus?

- According to Section 2(36) of the Companies Act, any document inviting the public to buy its shares or debentures comes under the definition of prospectus. It also applies to advertisements inviting deposits from the public.
- A prospectus is “the only window through which a prospective investor can look into the soundness of a company’s venture”.

4. What is meant by Multi National Company?

A Multi National Company (MNC) is a huge industrial organisation which,

- (i) Operates in more than one country
- (ii) Carries out production, marketing and research activities on international Scale in those countries.
- (iii) Seeks to maximise profits world over.

A domestic company or a foreign company can be a MNC.

5. What is meant by Holding and Subsidiary company?

Holding company

a company in which the holding company—

- (i) controls the composition of the Board of Directors; or
- (ii) exercises or controls more than one half of the total share capital either at its own or together with one or more of its subsidiary companies

Subsidiary company

“Subsidiary company” or “Subsidiary”, in relation to any other company (that is to say the holding company), means a company in which the holding company.

Chapter 7 cooperative organization

Very Short Answer Questions

1. What do you mean by cooperative organization?
It is an organisation wherein persons voluntarily associate together as human beings on a basis of equality, for the promotion of economic interests of themselves.
2. Define cooperatives.
 - Cooperation is a form of organization in which persons voluntarily associate together as human beings on the basis of equality for the promotion of the economic interests of themselves. - **H. Calvert**
3. What are Credit cooperatives?
 - Cooperative credit societies are those formed for the purpose of providing short term financial help to their members
 - Agriculturists, artisans, industrial workers, salaried employees, etc., form these credit societies.
3. Is low taxes possible in Cooperative society?
 - Yes, To promote the co-operative movement and also because of the fact that it is a non-profit enterprise, government provides various exemptions and tax concessions.
4. Who are Rochdale Pioneers?
 - At first, the cooperative movement was started by Robert Owen, in the year 1844.
 - He formed a consumer's cooperative society in England with 28 workers as members, called "Rochdale Society of Equitable Pioneers"

Short Answer Questions

1. What are the disadvantages of Cooperatives ? (Any 3)

Lack of Secrecy:

- A cooperative society has to submit its annual reports and accounts with the Registrar of Cooperative Societies.
- Hence, it becomes quite difficult for it to maintain secrecy of its business affairs

Lack of Business Acumen

- The members of cooperative societies generally lack business acumen.
- When such members become the members of the Board of Directors, the affairs of the society are expectedly not conducted efficiently.

Corruption

- In a way, lack of profit motive breeds fraud and corruption in management.
- This is reflected in misappropriations of funds by the officials for their personal gains.

2. Write a note on Housing cooperatives.

- These cooperative housing societies are meant to provide residential accommodation to their members on ownership basis or on rent.
- People who intend to build houses of their own join together and form housing societies.
- These societies advance loans to members, repayable over a period of 15 to 20 years.

5. What is meant by Producers cooperative society?
- Producer cooperatives are established and operated by producers.
 - Producers can decide to work together or as separate entities to help increase marketing possibilities and production efficiency.
 - They are organized to process, market, and distribute their own products.
4. Write a note on cooperative farming societies.
- When various farmers in a village pool their land together and agree to treat the pooled piece of land as one big farm for the purpose of cultivation, purchase the necessary inputs for the cultivation, and market the crops jointly,
 - they are assumed to have formed a cooperative farming society.
 - Such a society, for its proper working elects its office bearers on the basis of one member-one-vote
6. Write a note on industrial cooperatives.
- An industrial co-operative is organised by small scale producers.
 - Cooperative undertakings are a useful means of developing small scale and cottage industries.
 - Industrial co- operatives are very useful in obtaining raw materials, in improving the quality of products.

Long Answer Questions

- 1 What are the principles of cooperatives? (Any 5)
- i. **Voluntary and Open Membership**
 - Cooperatives are voluntary organizations, open to all people able to use its services and
 - willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination
 - ii. **Democratic Member Control**
 - Cooperatives are democratic organizations controlled by their members—those who buy the goods or use the services of the cooperative—who actively participate in setting policies and making decisions
 - iii. **Member's Economic Participation**
 - Members contribute equally to, and democratically control, the capital of the cooperative.
 - This benefits members in proportion to the business they conduct with the cooperative rather than on the capital invested.
 - iv. **Autonomy and Independence**
 - Cooperatives are autonomous, self-help organizations controlled by their members.
 - If the co-operative organisation enters into agreements with other organizations or raises capital from external sources
 - v. **Education, Training, and Information**
 - Cooperatives provide education and training for members, elected representatives, managers and employees
 - so they can contribute effectively to the development of their cooperative.

- Members also inform the general public about the nature and benefits of cooperatives.

2. What are the advantages of cooperative society?

- Voluntary organization**
- Easy formation**
- Democracy**
- Equal distribution of surplus**
- Limited liability**
- Separate legal entity**
- Each for all and all for each**
- Greater identity of interests**
- Government support**
- Elimination of middlemen**
- Tax concessions**
- Rural credit**

3. Explain any five advantages of cooperative society?

Easy formation

- Cooperatives can be formed much easily when compared to a company.
- Any 25 members who have attained majority can join together for forming a cooperative society by observing simple legal formalities

Separate legal entity

- A cooperative society enjoys separate legal entity which is distinct from its members.
- Therefore its continuance is in no way affected by the death, insanity or insolvency of its members.
- It enjoys perpetual existence.

Each for all and all for each

- Co-operative societies are formed on the basis of self help and mutual help.
- Therefore members contribute their efforts to promote their common welfare

Government support

- The government with a view to promote the growth of cooperative societies extends all support to them.
- It provides loans at cheap interest rates, provides subsidies etc

Tax concessions

- To promote the co-operative movement and also because of the fact that it is a non-profit enterprise, government provides various exemptions and tax concessions

4. What are the types of Cooperative society?

Types of Cooperatives

A. Consumers Cooperatives

- Consumers' co-operatives are enterprises owned by consumers and managed democratically which aim at fulfilling the needs and aspirations of their members.

- They operate within the market system, independently of the state, as a form of mutual aid, oriented toward service rather than pecuniary profit.
- Consumers' cooperatives often take the form of retail outlets owned and operated by their consumers, such as food co-ops.

B. **Producers Cooperatives**

- Producer cooperatives are established and operated by producers.
- Producers can decide to work together or as separate entities to help increase marketing possibilities and production efficiency.
- They are organized to process, market, and distribute their own products.

C. **Marketing Cooperatives**

- Cooperative marketing societies are associations of small producers formed for the purpose of marketing their produce.
- The marketing cooperatives perform certain marketing functions such as grading, warehousing, advertising etc.,
- They secure better prices for their members by transporting goods even to distant markets

D. **Credit Cooperatives**

- Cooperative credit societies are those formed for the purpose of providing short term financial help to their members
- Agriculturists, artisans, industrial workers, salaried employees, etc., form these credit societies.

E. **Housing Cooperatives**

- These cooperative housing societies are meant to provide residential accommodation to their members on ownership basis or on rent.
- People who intend to build houses of their own join together and form housing societies.
- These societies advance loans to members, repayable over a period of 15 to 20 years.

F. **Cooperative Farming Societies**

- When various farmers in a village pool their land together and agree to treat the pooled piece of land as one big farm for the purpose of cultivation, purchase the necessary inputs for the cultivation, and market the crops jointly,
- they are assumed to have formed a cooperative farming society.
- Such a society, for its proper working elects its office bearers on the basis of one member-one-vote

5. Write a note on Consumer cooperative society.

- Consumers' co-operatives are enterprises owned by consumers and managed democratically which aim at fulfilling the needs and aspirations of their members.
- They operate within the market system, independently of the state, as a form of mutual aid, oriented toward service rather than pecuniary profit.
- Consumers' cooperatives often take the form of retail outlets owned and operated by their consumers, such as food co-ops.
- However, there are many types of consumers' cooperatives, operating in areas such as health care, insurance, housing, utilities and personal finance (including credit unions).

- In some countries, consumers' cooperatives are known as cooperative retail societies or retail co-ops
 - Consumers' cooperatives may, in turn, form cooperative federations.
 - These may come in the form of cooperative wholesale societies, through which consumers' cooperatives collectively purchase goods at wholesale prices and, in some cases, own factories.
 - Alternatively, they may be members of cooperative unions
 - Consumer cooperation has been a focus of study in the field of cooperative economics.
6. Whether misuse of funds is possible in co-operatives.
- If the members of the managing committee are corrupt they can swindle the funds of the co-operative society.
 - Many cooperative societies have faced financial troubles and closed down because of corruption and misuse of funds.

Chapter 8 multinational organisation

Very Short Answer Questions

1. Define Multinational Company.
“A multinational corporation owns and manages business in two or more countries.” - **Neil H. Jacoby**
2. Write any two advantages of MNC.
 - They might unfavorably dominate the market.
 - They can push local firms out of business
3. Give two examples of MNC. Or
4. Name the type of business enterprise which operates in more than one country.
 - Bata Corporation
 - Colgate Palmolive
 - Micromax Informatics
 - INFOSYS

Short Answer Questions

1. What are the advantages of MNC's?
 - **Their size benefits consumers**
 - **They can help a country in many ways.**
 - **They are cost-effective.**
 - **They can create jobs and wealth.**
 - **They help other companies.**
 - **They adhere to the best brand standards.**
 - **They ensure minimum standards.**
 - **They help improve standard of living.**
 - **Their large profits are consumed for development and research**
 - **They allow for a wider market.**
2. What are the disadvantages of MNC's?
 - They might unfavorably dominate the market.
 - They might exploit the workforce.

- They take advantage of consumer expense
- They can push local firms out of business
- They are willing to gain ridiculous profits at any cost.
- They strive for a monopolized business.
- They are a great environmental threat.

Chapter 9 Government organisation

1. State the different types of public sector enterprises.
 - Departmental Undertaking
 - Statutory Corporation
 - Government Company
2. What is the basic feature of a Departmental undertaking?
 - Part of the Government – central or State
 - Under direct control of ministry
 - Funds come directly from Treasury
 - Employees are Government Employees
3. Give two examples for each of the following:
Private sector enterprises
 - Reliance Industries Limited
 - Tata Consultancy Services (TCS)(ii) Global enterprises
 - Bata Corporation
 - Colgate Palmolive
 - Micromax Informatics
 - INFOSYS(iii) Public enterprises
 - Bharat Heavy Electricals Limited (BHEL) : Government Company
 - Life Insurance Corporation (LIC) of India: Statutory Corporation
4. State the form of public enterprises which is most suitable for projects related to National Security.
 - Strategic industries like defence and atomic power cannot be better managed other than government departments.
 - Department undertakings can maintain secrecy in their working
5. The Industrial Policy Resolution 2001 exclusively reserved for few industries for the public sector. Name these industries
 - atomic energy
 - Arms
 - Rail Transport

Short Answer Questions

1. List the areas where the state or central ownership is a preferred form of business organisation. Justify your choice of areas.
 - Departmental form of organisation is necessary for public utility services. The motive of these industries is not to earn profits but to provide services at cheap rates

- Strategic industries like defence and atomic power cannot be better managed other than government departments. Department undertakings can maintain secrecy in their working
- Railways, ship-building, energy producing concerns, etc very huge investments is required which is beyond the means of private investors. Hence, government enters these fields and establish its own undertakings

2. What are the different kinds of organisations that come under the public sector?

1. Departmental undertakings : This is the oldest and most traditional form of organising public enterprises. Examples of these undertakings are railways, post and telegraph department.

2. Statutory corporations : Statutory corporations are public enterprises brought into existence by a special act of the parliament.

3. Government company : A Government company is established under the Indian Company Act, 1956 and is registered and governed by the provisions of the Indian Companies Act.

3. List the names of some enterprises under the public sector and classify them

- (i) Indian Railways: Departmental Undertaking
- (ii) Indian Post and Telegraph: Departmental Undertaking
- (iii) Steel Authority of India Limited (SAIL) : Government Company
- (iv) Bharat Heavy Electricals Limited (BHEL) : Government Company
- (v) Life Insurance Corporation (LIC) of India: Statutory Corporation
- (vi) State Trading Corporation: Statutory Corporation.

3. Define Departmental undertakings.

- These enterprises are established as departments of the ministry and are considered as part or an extension of the ministry itself.
- These undertakings may be under the Central or the State Government.
- Examples: Railways and; Post and Telegraph Department.

4. What is meant by Government Company?

- A government company means any company in which at least 51 per cent of the paid up capital is held by the Central Government, or by any State Government or partly by Central Government and partly by one or more State Governments.
- These are established purely for business purposes.

Long Answer Questions

1. What are the advantages and disadvantages of Departmental undertaking?

Advantages of Departmental undertaking

Easy Formation

- It is easy to set up a departmental undertaking.
- The departmental undertaking is created by an administrative decision of the Government, involving no legal formalities for its formation.

Direct and Control of Parliament or State Legislature:

- The departmental undertaking is directly responsible to the Parliament or the State legislature through its overall head i.e. the minister concerned

Secrecy Maintained

- The departmental undertaking can maintain secrecy of important policy matters; as the Government can withhold any information, in public interest.

Lesser Burden of Tax on Public

- Earnings of departmental undertaking are paid into Government treasury, resulting in lesser tax burden on the public.

Lesser Risk of Misuse of Public Money:

- As the departmental undertaking is subject to budgeting, accounting and audit procedures of the government; the risk of misuse of public money is relatively less.

Disadvantages of Departmental undertaking

(i) Read-Tape and Bureaucracy:

- Its management and functioning are subject to excessive red-tape and bureaucracy.
- Red-tape means unnecessary and complicated officials rules which prevent things from being done quickly.
- As a result, the departmental undertaking loses all flexibility desired of a business enterprise.

(ii) Incidence of Additional Taxation:

- Losses incurred by a departmental enterprise are met out of the treasury.
- This very often necessitates additional taxation the burden of which falls on the common man.

(iii) Lack of Competition

- A departmental undertaking often enjoys monopoly in its field.
- As a result, it tends to become indifferent to the quality and price of its goods and services; and may not hesitate to exploit the society.

(iv) Casual Approach to Work:

- As officers of a departmental undertaking are subject to frequent transfers;
- they develop a sense of casual approach to work.
- As a result, the operational efficiency of the undertaking suffers a lot

(v) Political Influence:

- A departmental undertaking is subject to excessive political influence.
- Its fate depends on the balance of power between the ruling party and the opposition.

2. What are the features of Public corporation? (Any 5)

(i) Special Statute:

- A public corporation is created by a special Act of the Parliament or the State Legislature.
- The Act defines its powers, objectives, functions and relations with the ministry and the Parliament (or State Legislature).

(ii) Separate Legal Entity

- A public corporation is a separate legal entity with perpetual succession and common seal.
- It has an existence, independent of the Government.
- It can own property; can make contracts and file suits, in its own name.

(iii) Capital Provided by the Government:

- The capital of a public corporation is provided by the Government or by agencies controlled by the government.
- However, many public corporations have also begun to raise money from the capital market.

(iv) Financial Autonomy

- A public corporation enjoys financial autonomy.
- It prepares its own budget; and has authority to retain and utilize its earnings for its business

(v) Own Staff:

- A public corporation has its own staff; whose appointment, remuneration and service conditions are decided by the corporation itself.

3. What are the Features of Government company? (Any 5)

Registration Under the Companies Act

- A Government company is formed through registration under the Companies Act, 1956; and is subject to the provisions of this Act, like any other company.

Executive Decision of Government:

- A Government company is created by an executive decision of the Government, without seeking the approval of the Parliament or the State Legislature.

Separate Legal Entity:

- A Government company is a legal entity separate from the Government.
- It can acquire property;
- can make contracts and can file suits, in its own name.

Whole or Majority Capital Provided by Government

- The whole or majority (at least 51%) of the capital of a Government company is provided by the Government;
- but the revenues of the company are not deposited into the treasury.

Majority of Government Directors

- Being in possession of a majority of share capital, the Government has authority to appoint majority of directors, on the Board of Directors of a government company.

4. What are the advantages and disadvantages of Public corporation?

Advantages of Public corporation

A. Bold Management due to Operational Autonomy –

- A public corporation enjoys internal operational autonomy; as it is free from Governmental control.

B. Legislative Control:

- Affairs of a public corporation are subject to scrutiny by Committees of Parliament or State Legislature.
- The Press also keeps a watchful eye on the working of a public corporation

C. Qualified and Contented Staff:

- Public corporation offers attractive service conditions to its staff
- Staff has a motivation to work hard for the corporation

D. Tailor-Made Statute:

- The special Act, by which a public corporation is created, can be tailor-made to meet the specific needs of the public corporation;
- so that the corporation can function in the best manner to achieve its objectives.

E. Not Affected by Political Changes:

- Being a distinct legal entity, a public corporation is not much affected by political changes.
- It can maintain continuity of policy and operations.

Disadvantages of Public corporation

Autonomy and Flexibility, Only in Theory

- Autonomy and flexibility advantages of a public corporation exist only in theory.
- In practice, there is a lot of interference in the working of a public corporation by ministers, government officers and other politicians.

Misuse of Monopolistic Power:

- Public corporations often enjoy monopoly in their field of operation.

- As such, on the one hand they are indifferent to consumer needs and problems; and
- on the other hand, often do not hesitate to exploit consumers.

Rigid Constitution

- The constitution of a public corporation is very rigid.
- It cannot be changed, without amending the Statute of its formation.
- Hence, a public corporation could not be flexible in its operations

Low Managerial Efficiency:

- Quite often civil servants, who do not possess management knowledge and skills, are appointed by the government on the Board of Directors, of a public corporation.
- As such, managerial efficiency of public corporation is not as much as found in private business enterprises.

Problem of Passing a Special Act:

- A public corporation cannot be formed without passing a special Act; which is a time consuming and difficult process.
- Hence, the scope for setting up public corporations is very restricted.

5. What are the features of Departmental organisation? (Any 5)

Formation:

- A departmental undertaking is established either as a separate full-fledged ministry or as a sub-division of a ministry (i.e. department) of the Government

No Separate Entity:

- A departmental undertaking does not have an independent entity distinct from the Government.

Governmental Financing

- The departmental undertaking is financed through annual budget appropriations by the Parliament or the State Legislature.
- The revenues of the undertaking are paid into the treasury.

Accounting and Audit etc. as Applicable to Government Departments:

- The departmental undertaking is subject to the normal budgeting, accounting and audit procedures, which are applicable to Government departments.

Managed by Civil Servants:

- The departmental undertaking is managed by civil servants, who are subject to same service conditions as applicable to civil servants of the Government.

Sovereign Immunity:

- A departmental undertaking cannot be sued at all, without the consent of the Government.