



INTERACTIVE STUDY MATERIAL

CLASS 11 COMMERCE

SESSION 2022-23

INSERVICE COURSE FOR PGT COMMERCE (2ND SPELL)

KVS ZIET CHANDIGARH

स्नातकोत्तर शिक्षक (वाणिज्य) हेतु सेवाकालीन प्रशिक्षण (द्वितीय चरण)

INSERVICE COURSE FOR PGT COMMERCE (SECOND SPELL)

23.12.2022-01.01.2023



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प्रतिभागियों की सूची

क्रमांक	प्रतिभागी का नाम	पुरुष/ महिला	पद	विषय	केंद्रीय विद्यालय
1	श्री डी पी तिवारी	पुरुष	पीजीटी	वाणिज्य	क्रमांक 1 धनबाद
2	श्रीमती भोजिदीपा देब	महिला	पीजीटी	वाणिज्य	एन ऐफ़ आर मालीगांव
3	श्रीमती सुमन सिंह	महिला	पीजीटी	वाणिज्य	ए ऐफ़ एस मनौरी प्रयागराज
4	श्री रत्न सिंह यादव	पुरुष	पीजीटी	वाणिज्य	क्रमांक 2 ओ सी ऐफ़ शाहजहांपुर
5	श्री आर के नागपाल	पुरुष	पीजीटी	वाणिज्य	ओक ग्रोव स्कूल , देहरादून

LIST OF PARTICIPANTS

S.No.	NAME OE THE PARTICIPANT	MALE / FEMALE	CADRE	SUBJECT	KENDRIYA VIDYALAYA
1	MR. D P TEWARY	Male	PGT	COMMERCE	DHANBAD NO.1
2	MRS. MONDIPA DEB	FEMALE	PGT	COMMERCE	NFR MALIGAON
3	MRS. SUMAN SINGH	FEMALE	PGT	COMMERCE	AFS MANAURI PRAYAGRAJ
4	MR. ROOM SINGH YADAV	MALE	PGT	COMMERCE	NO.2 OCF SHAHJAHANPUR
5	MR. RK NAGPAL	MALE	PGT	COMMERCE	OAK GROVE SCHOOL, DEHRADUN

BUSINESS STUDIES (Code No. 054)

Rationale

The courses in Business Studies and Accountancy are introduced at + 2 stage of Senior Secondary Education as formal commerce education is provided after first ten years of schooling. Therefore, it becomes necessary that instructions in these subjects are given in such a manner that students have a good understanding of the principles and practices bearing in business (trade and industry) as well as their relationship with the society.

Business is a dynamic process that brings together technology, natural resources and human initiative in a constantly changing global environment. To understand the framework in which a business operates, a detailed study of the organisation and management of business processes and its interaction with the environment is required. Globalisation has changed the way organizations transact their business.

Information Technology is becoming a part of business operations in more and more organisations. Computerised systems are fast replacing other systems. E-business and other related concepts are picking up fast which need to be emphasized in the curriculum.

The course in Business Studies prepares students to analyse, manage, evaluate and respond to changes which affect business. It provides a way of looking at and interacting with the business environment. It recognizes the fact that business influences and is influenced by social, political, legal and economic forces.

It allows students to appreciate that business is an integral component of society and develops an understanding of many social and ethical issues.

Therefore, to acquire basic knowledge of the business world, a course in Business Studies would be useful. It also informs students of a range of study and work options and bridges the gap between school and work.

Objectives:

- To inculcate business attitude and develop skills among students to pursue higher education, world of work including self employment.
- To develop students with an understanding of the processes of business and its environment;
- To acquaint students with the dynamic nature and inter-dependent aspects of business;
- To develop an interest in the theory and practice of business, trade and industry;
- To familiarize students with theoretical foundations of the process of organizing and managing the operations of a business firm;
- To help students appreciate the economic and social significance of business activity and the social cost and benefits arising there from;
- To acquaint students with the practice of managing the operations and resources of business;
- To enable students to act more effectively and responsibly as consumers, employers, employees and citizens;

BUSINESS STUDIES (Code No. 054)
CLASS–XI (2022-23)

Theory: 80 Marks
Project: 20 Marks

3 Hours

Units		Periods	Marks
Part A	Foundations of Business		
1	Nature and Purpose of Business	18	16
2	Forms of Business Organisations	24	
3	Public, Private and Global Enterprises	18	14
4	Business Services	18	
5	Emerging Modes of Business	10	10
6	Social Responsibility of Business and Business Ethics	12	
	Total	100	40
Part B	Finance and Trade		
7	Sources of Business Finance	30	20
8	Small Business	16	
9	Internal Trade	30	20
10	International Business	14	
	Total	90	40
	Project Work (One)	30	20

Part A: Foundation of Business

Concept includes meaning and features

Unit 1: Evolution and Fundamentals of Business

Content	After going through this unit, the student/ learner would be able to:
History of Trade and Commerce in India: Indigenous Banking System, Rise of Intermediaries, Transport, Trading Communities: Merchant Corporations, Major Trade Centres, Major Imports and Exports, Position of Indian Sub-Continent in the World Economy.	<ul style="list-style-type: none"> To acquaint the History of Trade and Commerce in India
Business – meaning and characteristics	<ul style="list-style-type: none"> Understand the meaning of business with special reference to economic and non-economic activities. Discuss the characteristics of business.
Business, profession and employment-Concept	<ul style="list-style-type: none"> Understand the concept of business, profession and employment. Differentiate between business, profession and employment.

Objectives of business	<ul style="list-style-type: none"> • Appreciate the economic and social objectives of business. • Examine the role of profit in business.
Classification of business activities - Industry and Commerce	<ul style="list-style-type: none"> • Understand the broad categories of business activities- Industry and commerce.
Industry-types: primary, secondary, tertiary Meaning and subgroups	<ul style="list-style-type: none"> • Describe the various types of Industries.
Commerce-trade: (types-internal, external; wholesale and retail) and auxiliaries to trade; (banking, insurance, transportation, warehousing, communication, and advertising) – meaning	<ul style="list-style-type: none"> • Discuss the meaning of commerce, trade and auxiliaries to trade. • Discuss the meaning of different types of trade and auxiliaries to trade. • Examine the role of commerce-trade and auxiliaries to trade.
Business risk-Concept	<ul style="list-style-type: none"> • Understand the concept of risk as a special characteristic of business. • Examine the nature and causes of business risks.

Unit 2: Forms of Business organizations

Sole Proprietorship-Concept, merits and limitations.	<ul style="list-style-type: none"> • List the different forms of business organizations and understand their meaning. • Identify and explain the concept, merits and limitations of Sole Proprietorship.
Partnership-Concept, types, merits and limitation of partnership, registration of a partnership firm, partnership deed. Types of partners	<ul style="list-style-type: none"> • Identify and explain the concept, merits and limitations of a Partnership firm. • Understand the types of partnership on the basis of duration and on the basis of liability. • State the need for registration of a partnership firm. • Discuss types of partners –active, sleeping, secret, nominal and partner by estoppel.
Hindu Undivided Family Business: Concept	<ul style="list-style-type: none"> • Understand the concept of Hindu Undivided Family Business.
Cooperative Societies-Concept, merits, and limitations.	<ul style="list-style-type: none"> • Identify and explain the concept, merits and limitations of Cooperative Societies. • Understand the concept of consumers, producers, marketing, farmers, credit and housing co-operatives.

Company - Concept, merits and limitations; Types: Private, Public and One Person Company – Concept	<ul style="list-style-type: none"> Identify and explain the concept, merits and limitations of private and public companies. Understand the meaning of one person company. Distinguish between a private company and a public company.
Formation of company - stages, Important documents to be used in formation of a company	<ul style="list-style-type: none"> Highlight the stages in the formation of a company. Discuss the important documents used in the various stages in the formation of a company.
Choice of form of business organization	<ul style="list-style-type: none"> Distinguish between the various forms of business organizations. Explain the factors that influence the choice of a suitable form of business organization.

Unit 3: Public, Private and Global Enterprises

Public sector and private sector enterprises – Concept	<ul style="list-style-type: none"> Develop an understanding of Public sector and private sector enterprises
Forms of public sector enterprises: Departmental Undertakings, Statutory Corporations and Government Company.	<ul style="list-style-type: none"> Identify and explain the features, merits and limitations of different forms of public sector enterprises
Global Enterprises – Feature. Public private partnership – concept	<ul style="list-style-type: none"> Develop an understanding of global enterprises, public private partnership by studying their meaning and features.

Unit 4: Business Services

Business services – meaning and types. Banking: Types of bank accounts - savings, current, recurring, fixed deposit and multiple option deposit account	<ul style="list-style-type: none"> Understand the meaning and types of business services. Discuss the meaning and types of Business service Banking Develop an understanding of different types of bank account.
Banking services with particular reference to Bank Draft, Bank Overdraft, Cash credit. E-Banking meaning, Types of digital payments	<ul style="list-style-type: none"> Develop an understanding of the different services provided by banks
Insurance – Principles. Types – life, health, fire and marine Insurance – concept	<ul style="list-style-type: none"> Recall the concept of Insurance Understand Utmost Good Faith, Insurable Interest, Indemnity, Contribution, Doctrine of Subrogation and Causa Proxima as principles of Insurance Discuss the meaning of different

	types of insurance-life, health, fire, marine insurance.
Postal Service - Mail, Registered Post, Parcel, Speed Post, Courier - meaning	<ul style="list-style-type: none"> Understand the utility of different telecom services

Unit 5: Emerging Modes of Business

E - business: concept, scope and benefits	<ul style="list-style-type: none"> Give the meaning of e-business. Discuss the scope of e-business. Appreciate the benefits of e-business Distinguish e-business from traditional business.
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Unit 6: Social Responsibility of Business and Business Ethics

Concept of social responsibility	<ul style="list-style-type: none"> State the concept of social responsibility.
Case of social responsibility	<ul style="list-style-type: none"> Examine the case for social responsibility.
Responsibility towards owners, investors, consumers, employees, government and community.	<ul style="list-style-type: none"> Identify the social responsibility towards different interest groups.
Role of business in environment protection	<ul style="list-style-type: none"> Appreciate the role of business in environment protection.
Business Ethics - Concept and Elements	<ul style="list-style-type: none"> State the concept of business ethics. Describe the elements of business ethics.

Part B: Finance and Trade

Unit 7: Sources of Business Finance

Concept of business finance	<ul style="list-style-type: none"> State the meaning, nature and importance of business finance.
Owners' funds- equity shares, preference share, retained earnings	<ul style="list-style-type: none"> Classify the various sources of funds into owners' funds. State the meaning of owners' funds.
Borrowed funds: debentures and bonds, loan from financial institution and commercial banks, public deposits, trade credit, Inter Corporate Deposits (ICD).	<ul style="list-style-type: none"> State the meaning of borrowed funds. Discuss the concept of debentures, bonds, loans from financial institutions and commercial banks, Trade credit and inter corporate deposits. Distinguish between owners' funds and borrowed funds.

Unit 8: Small Business and Enterprises

Entrepreneurship Development (ED): Concept, Characteristics and Need. Process of Entrepreneurship Development: Start-up India Scheme, ways to fund start-up. Intellectual Property Rights and Entrepreneurship	<ul style="list-style-type: none">• Understand the concept of Entrepreneurship Development (ED), Intellectual Property Rights
Small scale enterprise as defined by MSMED Act 2006 (Micro, Small and Medium Enterprise Development Act)	<ul style="list-style-type: none">• Understand the meaning of small business
Role of small business in India with special reference to rural areas	<ul style="list-style-type: none">• Discuss the role of small business in India
Government schemes and agencies for small scale Industries: National Small Industries Corporation (NSIC) and District Industrial Centre (DIC) with special reference to rural, backward areas	<ul style="list-style-type: none">• Appreciate the various Government schemes and agencies for development of small scale Industries. NSIC and DIC with special reference to rural, backward area.

Unit 9: Internal Trade

Internal trade - meaning and types services rendered by a wholesaler and a retailer	<ul style="list-style-type: none">• State the meaning and types of Internal trade.• Appreciate the services of wholesalers and retailers.
Types of retail-trade-Itinerant and small scale fixed shops retailers	<ul style="list-style-type: none">• Explain the different types of retail trade.
Large scale retailers-Departmental stores, chain stores - concept	<ul style="list-style-type: none">• Highlight the distinctive features of departmental stores, chain stores and mail order business.
GST (Goods and Services Tax): Concept and key-features	<ul style="list-style-type: none">• Understand the concept of GST

Unit 10: International Trade

International trade: concept and benefits	<ul style="list-style-type: none">• Understand the concept of International trade.• Describe the scope of International trade to the nation and business firms.
Export trade – Meaning and procedure	<ul style="list-style-type: none">• State the meaning and objectives of export trade.• Explain the Important steps Involved in executing export trade.
Import Trade - Meaning and procedure	<ul style="list-style-type: none">• State the meaning and objectives

	<ul style="list-style-type: none"> of Import trade. Discuss the important steps involved in executing Import trade.
Documents Involved In International Trade; Indent, letter of credit, shipping order, shipping bills, mate's receipt (DA/DP)	<ul style="list-style-type: none"> Develop an understanding of the various documents used in International trade. Identify the specimen of the various documents used in International trade. Highlight the importance of the documents needed in connection with International trade transactions
World Trade Organization (WTO) meaning and objectives	<ul style="list-style-type: none"> State the meaning of World Trade Organization. Discuss the objectives of World Trade Organization in promoting International trade.

Unit 11: Project Work

As per CBSE guidelines.

Suggested Question Paper Design
Business Studies (Code No. 054)
Class XI (2022-23)
March 2023 Examination

Marks: 80

Duration: 3 hrs.

SN	Typology of Questions	Marks	Percentage
1	Remembering and Understanding: Exhibit memory of previously learned material by recalling facts, terms, basic concepts, and answers. Demonstrate understanding of facts and ideas by organizing, comparing, translating, interpreting, giving descriptions, and stating main ideas	44	55%
2	Applying: Solve problems to new situations by applying acquired knowledge, facts, techniques and rules in a different way	19	23.75%
3	Analysing, Evaluating and Creating: Examine and break information into parts by identifying motives or causes. Make inferences and find evidence to support generalizations. Present and defend opinions by making judgments about information, validity of ideas, or quality of work based on a set of criteria. Compile information together in a different way by combining elements in a new pattern or proposing alternative solutions.	17	21.25%
	Total	80	100%

PROJECT WORK IN BUSINESS STUDIES FOR CLASS XI

Introduction

The course in Business Studies is introduced at Senior School level to provide students with a sound understanding of the principles and practices bearing in business (trade and industry) as well as their relationship with the society. Business is a dynamic process that brings together technology, natural resources and human initiative in a constantly changing global environment. With the purpose to help them understand the framework within which a business operates, and its interaction with the social, economic, technological and legal environment, the CBSE has introduced Project Work in the Business Studies Syllabus for Classes XI and XII. The projects have been designed to allow students to appreciate that business is an integral component of society and help them develop an understanding of the social and ethical issues concerning them.

The project work also aims to empower the teacher to relate all the concepts with what is happening around the world and the student's surroundings, making them appear more clear and contextual. This will enable the student to enjoy studies and use his free time effectively in observing what's happening around.

By means of Project Work the students are exposed to life beyond textbooks giving them opportunities to refer materials, gather information, analyze it further to obtain relevant information and decide what matter to keep.

Objectives

After doing the Project Work in Business Studies, the students will be able to do the following:

- develop a practical approach by using modern technologies in the field of business and management;
- get an opportunity for exposure to the operational environment in the field of business management and related services;
- inculcate important skills of team work, problem solving, time management, information collection, processing, analysing and synthesizing relevant information to derive meaningful conclusions
- get involved in the process of research work; demonstrate his or her capabilities while working independently and
- make studies an enjoyable experience to cherish.

CLASS XI: GUIDELINES FOR TEACHERS

This section provides some basic guidelines for the teachers to launch the projects in Business Studies. It is very necessary to interact, support, guide, facilitate and encourage students while assigning projects to them.

The teachers must ensure that the project work assigned to the students whether individually or in group are discussed at different stages right from assignment to drafts review and

finalization. Students should be facilitated in terms of providing relevant materials or suggesting websites, or obtaining required permissions from business houses, malls etc for their project. The periods assigned to the Project Work should be suitably spaced throughout the academic session. The teachers **MUST** ensure that the students actually go through the rigors and enjoy the process of doing the project rather than depending on any readymade material available commercially.

The following steps might be followed:

1. Students must take any one topic during the academic session of Class XI.
2. The project may be done in a group or individually.
3. The topic should be assigned after discussion with the students in the class and should then be discussed at every stage of submission of the draft/final project work.
4. The teacher should play the role of a facilitator and should closely supervise the process of project completion.
5. The teachers must ensure that the student's self esteem should go up, and he /she should be able to enjoy this process.
6. The project work for each term should culminate in the form of Power Point Presentation/Exhibition/ Skit before the entire class. This will help in developing ICT and communication skills among them.

The teacher should help students to identify any one project from the given topics.

I. Project One: Field Visit

The objective of introducing this project among the students is to give a first hand experience to them regarding the different types of business units operating in their surroundings, to observe their features and activities and relate them to the theoretical knowledge given in their text books. The students should select a place of field visit from the following: – (Add more as per local area availability.)

1. Visit to a Handicraft unit.
2. Visit to an Industry.
3. Visit to a Whole sale market (vegetables, fruits, flowers, grains, garments, etc.)
4. Visit to a Departmental store.
5. Visit to a Mall.

The following points should be kept in mind while preparing this visit.

1. Select a suitable day free from rush/crowd with lean business hours.
2. The teacher must visit the place first and check out on logistics. It's better to seek permission from the concerned business- in charge.

3. Visit to be discussed with the students in advance. They should be encouraged to prepare a worksheet containing points of observation and reporting.

4. Students may carry their cameras (at their own risk) with prior permission for collecting evidence of their observations.

1. Visit to a Handicraft Unit

The purpose of visiting a Handicraft unit is to understand nature and scope of its business, stake holders involved and other aspects as outlined below

a) The raw material and the processes used in the business: People /parties/firms from which they obtain their raw material.

b) The market, the buyers, the middlemen, and the areas covered.

c) The countries to which exports are made.

d) Mode of payment to workers, suppliers etc.

e) Working conditions.

f) Modernization of the process over a period of time.

g) Facilities, security and training for the staff and workers.

h) Subsidies available/ availed.

i) Any other aspect that the teachers deem fit.

2. Visit to an Industry.

The students are required to observe the following:

a) Nature of the business organisation.

b) Determinants for location of business unit.

c) Form of business enterprise: Sole Proprietorship, Partnership, Undivided Hindu Family, Joint Stock Company (a Multinational Company).

d) Different stages of production/process

e) Auxiliaries involved in the process.

f) Workers employed, method of wage payment, training programmes and facilities available.

g) Social responsibilities discharged towards workers, investors, society, environment and government.

h) Levels of management.

i) Code of conduct for employers and employees.

j) Capital structure employed- borrowed v/s owned.

- k) Quality control, recycling of defective goods.
- l) Subsidies available/availed.
- m) Safety Measures employed.
- n) Working conditions for labour in observation of Labour Laws.
- o) Storage of raw material and finished goods.
- p) Transport management for employees, raw material and finished goods.
- q) Functioning of various departments and coordination among them (Production, Human Resource, Finance and Marketing)
- r) Waste Management.
- s) Any other observation.

3. Visit to a whole sale market: vegetables/fruits/flowers/grains/garments etc.

The students are required to observe the following:

- a) Sources of merchandise.
- b) Local market practices.
- c) Any linked up businesses like transporters, packagers, money lenders, agents, etc.
- d) Nature of the goods dealt in.
- e) Types of buyers and sellers.
- f) Mode of the goods dispersed, minimum quantity sold, types of packaging employed.
- g) Factors determining the price fluctuations.
- h) Seasonal factors (if any) affecting the business.
- i) Weekly/ monthly non-working days.
- j) Strikes, if any- causes thereof.
- k) Mode of payments.
- l) Wastage and disposal of dead stock.
- m) Nature of price fluctuations, reason thereof.
- n) Warehousing facilities available\availed.
- o) Any other aspect.

4. Visit to a Departmental store

The students are required to observe the following:

- a) Different departments and their lay out.
- b) Nature of products offered for sale.
- c) Display of fresh arrivals.
- d) Promotional campaigns.
- e) Spaces and advertisements.
- f) Assistance by Sales Personnel.
- g) Billing counter at store – Cash, Credit Card/ Debit Card, swipe facility. Added attractions and facilities at the counter.
- h) Additional facilities offered to customers
- i) Any other relevant aspect.

5. Visit to a Mall.

The students are required to observe the following:

- a) Number of floors, shops occupied and unoccupied.
- b) Nature of shops, their ownership status
- c) Nature of goods dealt in: local brands, international brands,
- d) Service business shops- Spas, gym, saloons etc.
- e) Rented spaces, owned spaces,
- f) Different types of promotional schemes.
- g) Most visited shops.
- h) Special attractions of the Mall- Food court, Gaming zone or Cinema etc.
- i) Innovative facilities.
- j) Parking facilities. Teachers may add more to the list.

II. Project Two: Case Study on a Product

a) Take a product having seasonal growth and regular demand with which students can relate. For example,

- Apples from Himachal Pradesh, Kashmir.
- Oranges from Nagpur,
- Mangoes from Maharashtra/U.P./Bihar/Andhra Pradesh etc.
- Strawberries from Panchgani,
- Aloe vera from Rajasthan,
- Walnuts/almonds from Kashmir,
- Jackfruit from South,

- Guavas from Allahabad,
- Pineapples from North East India,
- Tea from Assam,
- Orchids from Sikkim and Meghalaya,
- Pottery of Manipur,
- Fishes from coastal areas.

Students may develop a Case Study on the following lines:

- (i) Research for change in price of the product. For example, apples in Himachal Pradesh during plucking and non plucking season.
- (ii) Effect on prices in the absence of effective transport system.
- (iii) Effect on prices in the absence of suitable warehouse facilities.
- (iv) Duties performed by the warehouses.
- (v) Demand and supply situation of the product during harvesting season, prices near the place of origin and away.

Students may be motivated to find out the importance of producing and selling these products and their processed items along with the roles of Transport, Warehousing, Advertising, Banking, Insurance, Packaging, Wholesale selling, Retailing, Co-operative farming, Co-operative marketing etc.

The teacher may develop the points for other projects on similar lines for students to work on.

The teacher may assign this project as 'group' project and may give different products to different groups. It could conclude in the form of an exhibition.

III. Project Three: Aids to Trade

Taking any one AID TO TRADE, for example Insurance and gathering information on following aspects

1. History of Insurance Lloyd's contribution.
2. Development of regulatory Mechanism.
3. Insurance Companies in India
4. Principles of Insurance.
5. Types of Insurance. Importance of insurance to the businessmen.
6. Benefits of crop, orchards, animal and poultry insurance to the farmers.
7. Terminologies used (premium, face value, market value, maturity value, surrender value) and their meanings.
8. Anecdotes and interesting cases of insurance. Reference of films depicting people committing fraudulent acts with insurance companies.

9. Careers in Insurance.

Teachers to develop such aspects for other aids to trade.

IV. Project Four: Import /Export Procedure

Any one from the following

1. Import /Export procedure

The students should identify a product of their city/country which is imported /exported. They are required to find the details of the actual import/export procedure. They may take help from the Chambers of Commerce, Banker, existing Importers/Exporters, etc.

They should find details of the procedure and link it with their Text knowledge.

The specimens of documents collected should be pasted in the Project file with brief description of each. They may also visit railway godowns/dockyards/ transport agencies and may collect pictures of the same.

Presentation and submission of project report.

At the end of the stipulated term, each student will prepare and submit his/her project report.

Following essentials are required to be fulfilled for its preparation and submission.

1. The total project will be in a file format, consisting of the recordings of the value of shares and the graphs.

2. The project will be handwritten.

3. The project will be presented in a neat folder.

4. The project report will be developed in the following sequence-

- ☐ Cover page should project the title, student information, school and year.
- ☐ List of contents.
- ☐ Acknowledgements and preface (acknowledging the institution, the news papers read, T.V. channels viewed, places visited and persons who have helped).
- ☐ Introduction.
- ☐ Topic with suitable heading.
- ☐ Planning and activities done during the project, if any.
- ☐ Observations and findings while conducting the project.
- ☐ News paper clippings to reflect the changes of share prices.
- ☐ Conclusions (summarised suggestions or findings, future scope of study).
- ☐ Appendix (if needed).

- ☐ Teachers report.
- ☐ Teachers will initial preface page.
- ☐ At the completion of the evaluation of the project, it will be punched in the centre so that the report cannot be reused but is available for reference only.
- ☐ The projects will be returned after evaluation. The school may keep the best projects.

V. Project Five: A visit to any State Emporium (other than your school state).

The purpose of this project is that it leads to -

- ☐ Development of deeper understanding of the diversity of products in the states like Assam, Tripura, Nagaland, Mizoram, Manipur, Meghalaya, Sikkim, Arunachal Pradesh, Jammu and Kashmir, Kerala, Chhatisgarh, Telangana, Andhra Pradesh and other states of the country.
- ☐ Sensitization and orientation of students about other states, their trade, business and commerce,
- ☐ Understanding the cultural and socio-economic aspects of the state by the students,
- ☐ Developing the understanding of role of folk art, artisanship and craftsmanship of the state in its growth and economic development
- ☐ Understanding the role of gifts of nature and natural produce in the development of trade, business and commerce
- ☐ Understanding the role of vocational skills and abilities on the livelihood of artisans/craftsman
- ☐ Understanding of entrepreneurial skills and abilities of the artisans/craftsman
- ☐ Understanding of the unemployment problem of the state and role of art and craft of the state in generating employment opportunities
- ☐ Value aspect -
- ☐ Sense of gratitude - by appreciating the contributions made by others in the betterment of our lives
- ☐ Appreciating the dignity of work
- ☐ Sensitivity towards social, cultural, ethnical and religious differences Benefits of social harmony and peace
- ☐ Understanding and appreciating the unity in diversity in India
- ☐ Appreciating differences in race, skin colour, languages, religion, habits, festivals, clothing coexistence

Presentation and Submission of Project Report

At the end of the stipulated term, each student will prepare and submit his/her project report.

Following essentials are required to be fulfilled for its preparation and submission.

1. Nature of the business organisation (emporium)
2. Determinants for location of the concerned emporium
3. Is the space rented or owned
4. Nature of the goods dealt in
5. Sources of merchandise of the emporium
6. Role of co-operative societies in the manufacturing and/or marketing of the merchandise
7. Role of gifts of nature or natural produce in the development of goods/merchandise
8. Types of buyers and sellers
9. Modes of goods dispersed, minimum quantity sold and type of carrying bag or package used for delivery of the products sold
10. Factors determining the pricing at the emporium
11. Comparison between the prices of goods available at the emporium with the prices in the open market. Also highlight probable causes of variations if any.
12. Kind of raw material available naturally, used in making the products
13. The technique used in making the products i.e., hand made or machine made
14. Has the child labour being used in making the products sold at the emporium
15. Are the products eco-friendly, in terms of manufacturing, disposal and packing
16. Seasonal factors if any affecting the business of the emporium
17. Weekly/ Monthly non-working days
18. Mode of billing and payments - Cash, Credit Card/ Debit Card, Swipe facility.
19. Does the emporium sell its merchandise in installment / deferred payment basis
20. Do they provide home delivery and after sales services.
21. Different types of promotional campaigns / schemes
22. Assistance by Sales Personnel
23. Export orientation of this emporium and procedure used
24. Policies related to damaged/ returned goods
25. Any government facility available to the emporium
26. Warehousing facilities available / availed
27. Impact of tourism on the business of emporium

- 28. Additional facility offered to customers
- 29. Any Corporate Social Responsibility (CSR) assumed by the emporium
- 30. Contribution made by the emporium to its locality

ASSESSMENT

The marks will be allocated on the following heads.

1	Initiative, cooperativeness and participation	2 Mark
2	Creativity in presentation	2 Mark
3	Content, observation and research work	4 Marks
4	Analysis of situations	4 Marks
5	Viva	8 Marks
	Total	20 Marks

CHAPTER – 1

EVOLUTION AND FUNDAMENTALS OF BUSINESS

LEARNING OBJECTIVES

- *History of trade & commerce in India: Indigenous Banking System; Rise of Intermediaries; Transport; Trading Communities; Merchant Corporations; Major Trade Centres; Major Imports & Exports; Position of Indian Sub-Continent in the World Economy*
- *Meaning of business with special reference to economic & non-economic activities*
- *Features & Objectives of business*
- *Concept & difference of Business, Profession & Employment*
- *Role of profit in business*
- *Classification of business activities: Industry & Commerce*
- *Types of Industry*
- *Commerce: Trade & auxiliaries to trade*
- *Concept, Nature & Causes of business risk*

HISTORY OF TRADE AND COMMERCE IN INDIA

India has Himalayas in the north, bordered by water in south. India got connected to adjoining foreign countries through the network of roads leading to Silk Route. The maritime routes linked the east and west by sea and were used for trade of species known as a Spice Route.

INDIGENOUS BANKING SYSTEM

Hundi: It is an instrument of exchange used in old times which involved a contract that warrants the payment of money, a promise or order which is unconditional, and can be exchanged through transfer by valid negotiation.

Hundi as practiced by Indian merchant Communities

Name of Hundi	Classification	Functions of Hundi
Dhani-jog	Darshani	Payable to any person - no liability over the receiver
Sah-jog.	Darshani	Payable to a specific person - Liability created

Firman-jog	Darshani	Payable to order.
Dekhan-har	Darshani	Payable to presenter or bearer
Dhani-jog	Muddati	Payable to any person over a fixed term – no liability over who received the payment
Firman-jog	Muddati	Payable to order following a fixed term.
Jokhmi	Muddati	It is drawn against dispatched goods. Drawer bears the costs if goods get lost in transit.

RISE OF INTERMEDIARIES

- Prominent role in promotion of trade
- Provide financial security in return of risk taken
- Comprises of Commission agent, broker, distributor
- Foreign Trade was financed by loans.
- Later with emergence of credit transaction, exports exceeded import and benefited indigenous banking system
- Commercial bank and industrial bank evolved to finance trade and commerce
- Agricultural bank evolved to provide short-term and long-term finance to agriculturist.

TRANSPORT

Maritime Trade:-

- Trade maintained by means of sea is referred to as maritime trade.
- Maritime trade was another important branch of global trade network.
- Malabar Coast, on which Muziris is situated. Pepper was particularly valued in the Roman Empire and was known as 'Black Gold'
- It was in the search for an alternate route to India for spices that led to the discovery of America by Columbus in the closing years of 15th century and also brought Vasco-da-Gama to the shores of Malabar in 1498.
- Calicut was such a bustling emporium that it was even visited by Chinese ships to acquire items, like frankincense (essential oil) and myrrh (fragrant resin used in perfumes, medicines) from the Middle East, as well as, pepper, diamonds, pearls and cotton from India.

- On the Coromandel Coast, Pulicat was a major port in the 17th century. Textiles were the principal export from Pulicat to Southeast Asia.

TRADING COMMUNITIES: MERCHANT CORPORATIONS

- Formed to protect the interest of traders.
- Framed their own rules of membership and code of conduct which kings also accepted.
- Trade and industrial taxes were major source of revenue.
- The chief directly deal with king, tax collector and settle market toll on behalf of merchant at fixed sum of money.

MAJOR TRADE CENTRES

- Pataliputra-Export of stones
- Peshawar-Export of wool and import of horses
- Taxila-Centre for learning
- Indraprastha-Commercial route on royal road
- Mathura-emporium of trade, people here subsisted on commerce
- Varanasi-Centre for textile industry
- Mithila-Traded at ports on the island of java, Sumatra, Borneo
- Ujjain- Agate, Muslin, carnelian cloth trading
- Surat-Textile trading mainly for their gold border (zari)
- Kanchi- Pearl, glass, rare stone
- Madura-Pearl fisheries
- Broach-Linked to all important marts
- Kaveripatta-Trade of perfumes, cosmetics, scent, silk, wool, cotton, corals, pearls, gold, precious stone, ship building
- Tamralipti-Greatest port connected by both sea and land.

MAJOR IMPORTS & EXPORTS

Exports consisted of spices, wheat, sugar, indigo (neel), opium (afim), sesame oil, cotton, parrot, live animals and animal products—hides (khaal), skin, furs, horns, tortoise shells, pearls, sapphires (neelam stone), quartz, crystal, lapis, lazuli, granites, turquoise and copper etc.

Imports included horses, animal products, Chinese silk, flax and linen, wine, gold, silver, tin, copper, lead, rubies, coral, glass, amber, etc.

POSITION OF INDIAN SUB-CONTINENT IN WORLD ECONOMY

- Between the 1st and the 7th centuries CE, India is estimated to have the largest economy of the ancient and medieval world, controlling about one third and one-fourth of the world's wealth (timeline).
- The pre-colonial period in Indian history was an age of prosperity for Indian economy and made the Europeans embark great voyage of discovery.
- 18th century India was far behind Western Europe in technology, innovation and ideas.
- After Independence, the process of rebuilding the economy started and India went for centralised planning. The First Five Year Plan was implemented in 1952.
- India relied heavily on borrowings from foreign sources and finally, agreed to economic liberalisation in 1991.
- The Indian economy is one of the fastest growing economies in the world today and a preferred FDI destination.

CLASSIFICATION OF ACTIVITIES

1. Economic Activities: Economic activities are any activities that are carried out with the goal of earning money and livelihood. For example, a worker working in a factory, a teacher teaching in school etc. It is mainly of three types: Business, Profession & Employment.

2. Non-Economic Activities: Activities which are performed out of love, affection, sympathy & without the aim of earning profit are called non-economic activities. For example -Social work, religious activities etc.

MEANING OF BUSINESS

Any economic activity that is undertaken to earn profit through the mechanism of sale and purchase of goods and services is called Business.

CHARACTERISTICS OF BUSINESS

1. An economic activity: Business consists of sale or exchange of goods and services with the primary objective of earning money. Hence, it is an economic activity.

2. Sale or exchange of goods and services for creating value: In business there should be transfer or exchange of goods or services for value.

3. Regularity in dealings: To constitute a business there should be dealings in goods and services on regular intervals.

4. Production or procurement of goods and services: A business either manufactures the goods on its own or purchases them from producers, and then sells them to end customers.

5. Profit earning: The primary objective of every business is to earn more and more profit. No business can survive without earning profit.

6. Uncertainty of return: It's not certain how much profit a business is going to earn, as there is a possibility of losses as well because of the changing environment.

7. Risk: Every business is exposed to certain risks, these risks can either be due to natural factors, human factors, financial factors, or personal factors.

Comparison of Business, Profession and Employment:

Basic	Business	Profession	Profession
1. Mode of establishment	Entrepreneur's decision and other legal formalities, if necessary	Membership of a professional body and certificate of practice	Appointment letter and service agreement
2. Nature of work	Provision of goods and services to the public	Rendering of personalised, expert services.	Performing work as per service contract or rules of service
3. Qualification	No minimum qualification is necessary	Qualifications, expertise and training in specific field as	Qualification and training as prescribed by the employer

		prescribed by the professional body is a must	
4. Reward or return	Profit earned	Professional fee	Salary or wages
5. Capital investment	Capital investment required as per size and nature of business.	Limited capital needed for establishment	No capital required

MULTIPLE OBJECTIVES OF BUSINESS

1. Economic Objectives

(i) Survival: The basic purpose of every organisation is to survive and exist in the competition market for a long period of time.

(ii) Profit: The most important objective of every organisation is earning adequate amount of profit. Profit is essential for survival, growth and expansion of business.

(iii) Growth: The success of any organisation is measured by the growth rate and growth is measured in terms of sales, number of branches etc.

2. Social Objectives

(i) Supply of Desired Quality of Products: Customer prefer to buy the products only when they are of satisfactory quality and are available at a reasonable price.

(ii) Avoidance of Unfair Trade Practices: Anti-social or unfair trade practices include black marketing, adulteration, hoarding, overcharging, etc.

(iii) Employment Generation: The business man must create employment opportunities and help in overcoming this basic problem of developing countries.

(iv) Social Service or Community Service: The big companies can help in social service programmes run by NGOs and Government organisations by contributing large amount of funds in the form of donations, charity, etc.

(v) Avoidance of Pollution: As a businessman has added to spreading of pollution, so it becomes the moral duty of the businessman come forward and help in solving the problem of pollution.

3. Human or Personal Objectives

- (i) Providing good working condition.
- (ii) Payment of competitive and satisfactory wages and salaries.
- (iii) Personal growth and development of employee by imparting training to employees.
- (iv) Peer recognition and respect by encouraging employees to take initiative and participating in decision-making.

ROLE OF PROFIT IN THE BUSINESS

(i) Survival: A business and businessman cannot survive for a long time without earning adequate profit. Profit is a source of income for a businessman which becomes his means of livelihood.

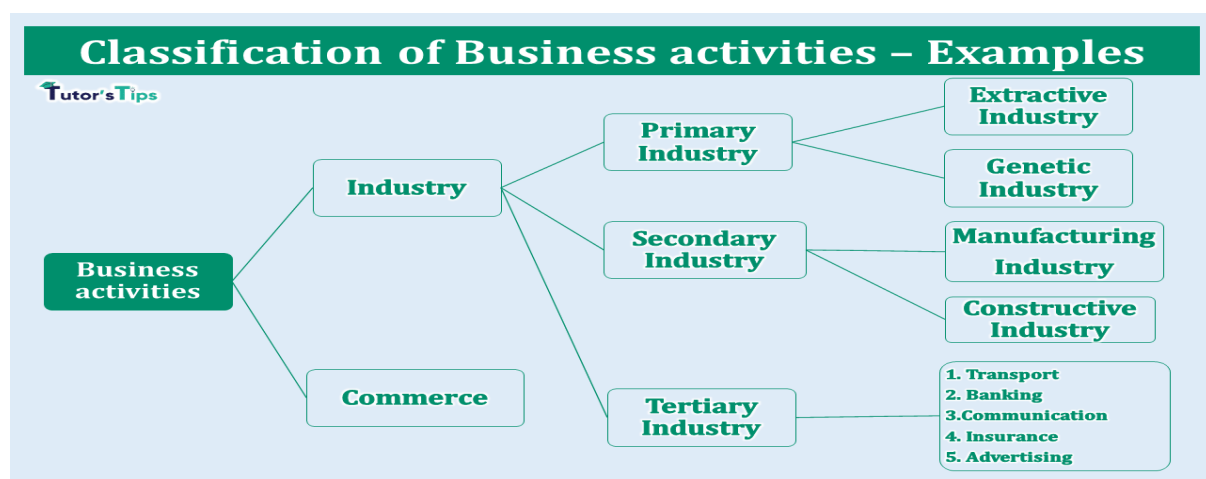
(ii) Expansion and Growth: The business is expanded only when it is earning sufficient amount of profit.

(iii) Symbol of efficiency or an Index of Performance: Profits indicate whether a business is being managed efficiently or not. Higher profits indicate the efficiency of management and lowest profit indicate inefficiency of management.

(iv) Reward for bearing the risk: Profit is considered as a price or reward paid to a businessman for bearing the risk.

(v) Helps to gain reputation of goodwill: A profit earning company always has a better reputation in the market as compared to companies which are running in loss.

CLASSIFICATION OF BUSINESS ACTIVITIES



A. INDUSTRY

It is basically concerned with the production of goods and services for an economic motive. It is further divided into following categories:

1. Primary industry: It includes all those activities which are concerned with the extraction and production of natural resources and development of plants, etc.

(a) **Extractive industries:** These industries provide some basic raw materials that are mostly products of the natural environment. It includes farming, mining, etc.

(b) **Genetic industries:** These industries do breeding of plants and animals for their use in further reproduction. Example- Cattle breeding, Poultry farms etc.

2. Secondary industry: These industries are concerned with further processing of the material extracted at the primary sector so as to convert them into a finished product.

Example, Mining of iron ore etc.

(a) **Manufacturing industries:** These industries engage in producing goods through processing of raw materials and creating utilities. It is further divided into four parts:

(i) **Analytical Industry:** These industries separate different elements from the basic material, so as to produce various by-products from the same element. For example, petrol, diesel etc. all are made from one basic material that is crude oil.

(ii) **Synthetic Industry:** These industries bring together materials and ingredients from varied sources and combine them to form a new product. For example, the cement industry.

(iii) **Processing Industry:** These industries are involved in the extraction and processing of resources and raw materials, so as to produce semi-finished or finished products. For example, the Sugar industry, Paper industry, Textile industry etc.

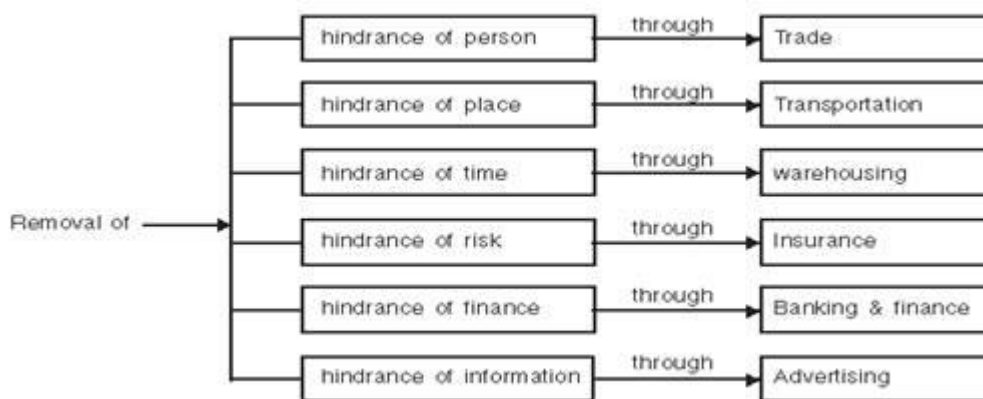
(iv) **Assembly Industry:** These industries bring together different components of various firms to form a new product. For example, different components of various industries are brought together to assemble them and convert it into a television, computer, car etc.

(b) **Construction industries:** These industries are involved in the construction sector and it involves constructive works such as building dams, bridges, buildings, etc.

3. Tertiary industry:- These industries provide support services to primary and secondary industries so that they can perform their work without any hindrances. For Example, Banking industry, Transportation industry, Communication industry, etc.

B. COMMERCE

Commerce includes all the activities which are required for the exchange of goods and services. It also involves all the activities that assists in removal of hindrances of people, place, time, finance, risk, information faced during the exchange of goods and services.



1. Removing the hindrance of person- by making goods available to consumers from the producers. through trade.
2. Transportation removes hindrance of place- by moving goods from the place of production to the markets for sale
3. Storage and warehousing activities remove the hindrance of time- by facilitating holding of stock of goods to be sold as and when required.
4. Insurance removes hindrance of risk of loss or damage of goods due to theft, fire, accidents etc.
5. Banking removes hindrance of finance- by providing funds to a businessman for acquiring assets, purchasing raw materials and meeting other expenses.
6. Advertising removes hindrance of information- by informing consumers about the goods and services available in the market

CLASSIFICATION OF COMMERCE

1. Trade: The buying and selling of goods and services with an aim to earn profit is termed as trade. The people who are involved in trade are referred to as traders. Trade can be bifurcated as: (a) Internal Trade and, (b) External Trade.

(a) Internal Trade: It refers to buying and selling of goods or services within the geographical boundaries of a country.

(i) **Wholesale trade:** It refers to buying and selling of goods and services in large quantities.

(ii) **Retail Trade:** It refers to buying and selling of goods and services in small quantities.

(b) External Trade: It refers to buying and selling of goods or services beyond the geographical limits of the country. It involves:

(i) **Import:** It refers to the purchase of goods and services from other countries.

(ii) **Export:** Selling goods and services to other countries.

(iii) **Entrepot:** Importing goods and services from one country and exporting to some other country.

2. AUXILIARIES TO TRADE:

(a) **Transport and Communication:** Transportation helps in the movement of raw material and finished products from the place of production to the place of consumption.

Communication enables easy interaction by one party with another, who is far away from each other. It assists in removal of the hindrance caused due to place.

(b) **Banking and finance:** It helps business activities to overcome the problem of finance by lending loans and credit facilities since business can't survive if funds are not available for procuring material.

(c) **Insurance:** It provides protection to businesses from various types of risks such as due to fire, theft etc. It assists in curbing hindrances of risk.

(d) **Warehousing:** It helps business firms to overcome the problem of storage and facilitates the availability of goods. It assists in curbing hindrances of time.

(e) **Advertising and Public Relations:** It helps them to increase the sales. It is a tool to influence customers. It assists in curbing hindrances caused due to information.

(f) Middlemen: These people act as mediators between the producer and consumers. These include wholesalers, retailers etc. It assists in curbing hindrances of persons.

MEANING OF BUSINESS RISK

The risk caused due to inadequate profits or losses as a result of uncertainties or unexpected events is called business risk.

NATURE OF BUSINESS RISK

- (a) Risk is an essential part of every business.** It can only be reduced but not eliminated in full.
- (b) It arises due to uncertainties** like natural calamities such as earthquakes, floods etc., which are unavoidable.
- (c) The extent of risk** depends upon the nature and size of business.
- (d) 'No risk, no gain'** is applicable to every business. Hence, **profit is the reward for risk taking.**

CAUSES OF BUSINESS RISKS

- (a) Natural causes:** These are due to natural causes such as floods, earthquakes, etc. Every person has little control or no control over these causes.
- (b) Human causes:** These causes include unexpected events caused by man, such as negligence of employees, power failure, employee's or customer's dishonest practices
- (c) Economic causes:** The economic causes involve the changes and variations taking place in the economy such as uncertainties due change of technology and method of production, political disturbances, change in prices, tax rates etc.
- (d) Other causes:** All those causes which cannot be considered under the above causes are the other causes, such as exchange rate fluctuations etc.

USEFUL LINKS

https://diksha.gov.in/play/collection/do_31310347535117516811487?contentId=do_31308586845424844812738 VIDEO LINK

https://diksha.gov.in/play/collection/do_31310347535117516811487?contentId=do_313076836461264896111262 MULTIPLE QUESTIONS LINK

https://diksha.gov.in/play/collection/do_31310347535117516811487?contentId=do_31306893007678668818934 SHORT QUESTIONS LINK

https://diksha.gov.in/play/collection/do_31310347535117516811487?contentId=do_313069096755183616111230 LONG QUESTIONS LINK

SELF-ASSESSMENT

1. State the meaning of business.
2. How would you classify business activities?
3. What are the various types of industries?
4. Explain any two business activities which are auxiliaries to trade.
5. What is the role of profit in business?

-----END OF CHAPTER-----

CHAPTER - 2

FORMS OF BUSINESS ORGANISATION

LEARNING OBJECTIVES

- *Identify different forms of business organization*
- *Meaning, features, merits and limitations of different forms of business organization i.e. Sole Proprietorship, Partnership, Co-operative Organisation & Joint Stock Company*
- *Meaning & features of Hindu Undivided Family Business*
- *Types of partners & partnership*
- *Types of co-operative organisation*
- *Concept of partnership deed & registration of partnership*
- *Types & formation of company*
- *Distinguish between various forms of organization*
- *Discuss the factors determining choice of an appropriate form of business organisation*

MEANING OF SOLE PROPRIETORSHIP



Sole proprietorship refers to a form of business organisation which is owned, managed and controlled by an individual who is the recipient of all profits and bearer of all risks.

FEATURES:

(i) Formation and closure: There is no separate law that governs sole proprietorship

(ii) Liability: Sole proprietors have unlimited liability.

(iii) Sole risk bearer and profit recipient: The risk of failure of business is borne all alone by the sole proprietor.

(iv) Control: The right to run the business and make all decisions lies absolutely with the sole proprietor.

(v) No separate entity: In the eyes of the law, no distinction is made between the sole trader and his business, as business does not have an identity separate from the owner.

MERITS:

(i) Quick decision making: A sole proprietor enjoys considerable degree of freedom in making business decisions.

(ii) Confidentiality of information: Sole decision making authority enables the proprietor to keep all the information related to business operations confidential and maintain secrecy.

(iii) Direct incentive: A sole proprietor directly reaps the benefits of his/her efforts as he/she is the sole recipient of all the profit.

(iv) Sense of accomplishment: There is a personal satisfaction involved in working for oneself.

(v) Ease of formation and closure: An important merit of sole proprietorship is the possibility of entering into business with minimal legal formalities.

LIMITATIONS:

(i) Limited resources: Resources of a sole proprietor are limited to his/her personal savings and borrowings from others.

(ii) Limited life of a business concern: The sole proprietorship business is owned and controlled by one person, so death, insanity, imprisonment, physical ailment or bankruptcy of a proprietor affects the business and can lead to its closure.

(iii) Unlimited liability: A major disadvantage of sole proprietorship is that the owner has unlimited liability

(iv) Limited managerial ability: The owner has to assume the responsibility of varied

managerial tasks such as purchasing, selling, financing, etc.

MEANING OF JOINT HINDU FAMILY BUSINESS



Joint Hindu family business is a specific form of business organisation found only in India. It is one of the oldest forms of business organisation in the country.

FEATURES:

(i) Formation: For a joint Hindu family business, there should be at least two members in the family and ancestral property to be inherited by them.

(ii) Liability: The liability of all members except the karta is limited to their share of co-parcenary property of the business.

(iii) Control: The control of the family business lies with the karta.

(iv) Continuity: The business continues even after the death of the karta as the next eldest member takes up the position of karta, leaving the business stable.

(v) Minor Members: The inclusion of an individual into the business occurs due to birth in a Hindu Undivided Family.

MEANING OF PARTNERSHIP



The Indian Partnership Act, 1932 defines partnership as “the relation between persons who have agreed to share the profit of the business carried on by all or any one of them acting for all.”

FEATURES:

(i) Formation: The partnership form of business organisation is governed by the Indian Partnership Act, 1932.

(ii) Liability: The partners of a firm have unlimited liability.

(iii) Risk bearing: The partners bear the risks involved in running a business as a team

(iv) Decision making and control: The partners share amongst themselves the responsibility of decision making and control of day to day activities.

(v) Continuity: Partnership is characterised by lack of continuity of business since the death, retirement insolvency or insanity of any partner can bring an end to the business.

(vi) Number of Partners: The minimum number of partners needed to start a partnership firm is two. According to section 464 of the Companies Act 2013.

(vii) Mutual agency: The definition of partnership highlights the fact that it is a business carried on by all or any one of the partners acting for all.

MERITS:

(i) Ease of formation and closure: A partnership firm can be formed easily by putting an agreement between the prospective partners into place whereby they agree to carryout the business of the firm and share risks

(ii) Balanced decision making: The partners can oversee different functions according to their areas of expertise.

(iii) More funds: In a partnership, the capital is contributed by a number of partners.

(iv) Sharing of risks: The risks involved in running a partnership firm are shared by all the partners.

(v) Secrecy: A partnership firm is not legally required to publish its accounts and submit its reports.

LIMITATIONS:

(i) Unlimited liability: Partners are liable to repay debts even from their personal resources in case the business assets are not sufficient to meet its debts.

(ii) Limited resources: There is a restriction on the number of partners, and hence contribution in terms of capital investment is usually not sufficient to support large scale business operations.

(iii) Possibility of conflicts: Partnership is run by a group of persons wherein decision making authority is shared.

(iv) Lack of continuity: Partnership comes to an end with the death, retirement, insolvency or lunacy of any partner.

(v) Lack of public confidence: A partnership firm is not legally required to publish its financial reports or make other related information public.

TYPES OF PARTNERS:

(i) Active partner: An active partner is one who contributes capital, participates in the management of the firm, shares its profits and losses, and is liable to an unlimited extent to the creditors of the firm.

(ii) Sleeping or dormant partner: Partners who do not take part in the day to day activities of the business are called sleeping partners.

(iii) Secret partner: A secret partner is one whose association with the firm is unknown to the general public.

(iv) Nominal partner: A nominal partner is one who allows the use of his/her name by a firm, but does not contribute to its capital.

(v) Partner by estoppel: A person is considered a partner by estoppel if, through his/her own initiative, conduct or behaviour, he/she gives an impression to others that he/she is a partner of the firm.

(vi) Partner by holding out: A partner by 'holding out' is a person who though is not a partner in a firm but knowingly allows himself/herself to be represented as a partner in a firm.

Type	Capital contribution	Management	Share in profits/losses	Liability
Active partner	Contributes capital	Participates in management	Shares profits/losses	Unlimited liability
Sleeping or dormant partner	Contributes capital	Does not participate in management	Shares profits/losses	Unlimited liability
Secret partner	Contributes capital	Participates in management, but secretly	Shares profits/losses	Unlimited liability
Nominal partner	Does not contribute capital	Does not participate in management	Generally does not share profits/losses	Unlimited liability
Partner by estoppel	Does not contribute capital	Does not participate in management	Does not share profits/losses	Unlimited liability
Partner by holding out	Does not contribute capital	Does not participate in management	Does not share profits/losses	Unlimited liability

TYPES OF PARTNERSHIP:

(A) CLASSIFICATION ON THE BASIS OF DURATION

(i) Partnership at will: This type of partnership exists at the will of the partners.

(ii) Particular partnership: Partnership formed for the accomplishment of a particular project say construction of a building or an activity to be carried on for a specified time period is called particular partnership

(B) CLASSIFICATION ON THE BASIS OF LIABILITY

(i) General Partnership: In general partnership, the liability of partners is unlimited and joint. The partners enjoy the right to participate in the management of the firm and their acts are binding on each other as well as on the firm.

(ii) Limited Partnership: In limited partnership, the liability of at least one partner is unlimited whereas the rest may have limited liability.

MEANING OF PARTNERSHIP DEED

The written agreement which specifies the terms and conditions that govern the partnership is called the partnership deed.



The partnership deed generally includes the following aspects:

- Name of firm
- Nature of business and location of business
- Duration of business
- Investment made by each partner
- Distribution of profits and losses
- Duties and obligations of the partners
- Salaries and withdrawals of the partners
- Terms governing admission, retirement and expulsion of a partner
- Interest on capital and interest on drawings
- Procedure for dissolution of the firm
- Preparation of accounts and their auditing
- Method of solving disputes

REGISTRATION OF A PARTNERSHIP FIRM:

Registration of a partnership firm means the entering of the firm's name, along with the relevant prescribed particulars, in the Register of firms kept with the Registrar of Firms. If the firm does not get registered, following are the consequences:

1. Partner of an unregistered firm cannot file a suit against the firm or other partners.
2. The firm cannot file a suit against third parties.
3. The firm cannot file a case against the partners.

MEANING OF CO-OPERATIVE ORGANISATION

The cooperative society is a voluntary association of persons, who join together with the motive of welfare of the members.



FEATURES:

(i) Voluntary membership: The membership of a cooperative society is voluntary.

(ii) Legal status: Registration of a cooperative society is compulsory. This accords a separate identity to the society which is distinct from its members

(iii) Limited liability: The liability of the members of a cooperative society is limited to the extent of the amount contributed by them as capital.

(iv) Control: In a cooperative society, the power to take decisions lies in the hands of an elected managing committee

(v) Service motive: The cooperative society through its purpose lays emphasis on the values of mutual help and welfare.

MERITS:

(i) Equality in voting status: The principle of 'one man one vote' governs the cooperative society.

(ii) Limited liability: The liability of members of a cooperative society is limited to the extent of their capital contribution.

(iii) Stable existence: Death, bankruptcy or insanity of the members do not affect continuity of a cooperative society.

(iv) Economy in operations: The members generally offer honorary services to the society

(v) Support from government: The cooperative society exemplifies the idea of democracy and hence finds support from the Government in the form of low taxes, subsidies, and low interest rates on loans.

(vi) Ease of formation: The cooperative society can be started with a minimum of ten members.

LIMITATIONS:

(i) Limited resources: Resources of a cooperative society consists of capital contributions of the members with limited means.

(ii) Inefficiency in management: Cooperative societies are unable to attract and employ expert managers because of their inability to pay them high salaries

(iii) Lack of secrecy: As a result of open discussions in the meetings of members as well as disclosure obligations as per the Societies Act (7).

(iv) Government control: In return of the privileges offered by the government, cooperative societies have to comply with several rules and regulations related to auditing of accounts, submission of accounts, etc.

(v) Differences of opinion: Internal quarrels arising as a result of contrary viewpoints may lead to difficulties in decision making.

TYPES OF COOPERATIVE ORGANISATION:

(i) Consumer's cooperative societies: The consumer cooperative societies are formed to protect

the interests of consumers

(ii) Producer's cooperative societies: These societies are set up to protect the interest of small producers. The members comprise of producers desirous of procuring inputs for production of goods to meet the demands of consumers.

(iii) Marketing cooperative societies: Such societies are established to help small producers in selling their products.

(iv) Farmer's cooperative societies: These societies are established to protect the interests of farmers by providing better inputs at a reasonable cost. The members comprise farmers who wish to jointly take up farming activities.

(v) Credit cooperative societies: Credit cooperative societies are established for providing easy credit on reasonable terms to the members. The members comprise of persons who seek financial help in the form of loans.

(vi) Cooperative housing societies: Cooperative housing societies are established to help people with limited income to construct houses at reasonable costs.

MEANING OF JOINT STOCK COMPANY

A company can be described as an artificial person having a separate legal entity, perpetual succession and a common seal.



FEATURES:

(i) Artificial person: A company is a creation of law and exists independent of its members.

(ii) Separate legal entity: From the day of its incorporation, a company acquires an identity, distinct from its members. Its assets and liabilities are separate from those of its owners.

(iii) Formation: The formation of a company is a time consuming, expensive and complicated process.

(iv) Perpetual succession: A company being a creation of the law, can be brought to an end only by law. It will only cease to exist when a specific procedure for its closure, called winding up, is completed.

(v) Control: The management and control of the affairs of the company is undertaken by the Board of Directors, which appoints the top management officials for running the business.

(vi) Liability: The liability of the members is limited to the extent of the capital contributed by them in a company.

(vii) Common seal: The company being an artificial person cannot sign its name by itself.

(viii) Risk bearing: The risk of losses in a company is borne by all the share holders. This is unlike the case of sole proprietorship or partnership firm where one or few persons respectively bear the losses.

MERITS:

(i) Limited liability: The shareholders are liable to the extent of the amount unpaid on the shares held by them.

(ii) Transfer of interest: The ease of transfer of ownership adds to the advantage of investing in a company as the share of a public limited company can be sold in the market and as such can be easily converted into cash in case the need arises.

(iii) Perpetual existence: Existence of a company is not affected by the death, retirement, resignation, insolvency or insanity of its members as it has a separate entity from its members.

(iv) Scope for expansion: As compared to the sole proprietorship and partnership forms of organisation, a company has large financial resources.

(v) Professional management: A company can afford to pay higher salaries to specialists and professionals.

LIMITATIONS:

(i) Complexity in formation: The formation of a company requires greater time, effort and extensive knowledge of legal requirements and the procedures involved.

(ii) Lack of secrecy: The Companies Act requires each public company to provide from time-to-time a lot of information to the office of the registrar of companies.

(iii) Impersonal work environment: Separation of ownership and management leads to situations in which there is lack of effort as well as personal involvement on the part of the officers of a company.

(iv) Numerous regulations: The functioning of a company is subject to many legal provisions and compulsions.

(v) Delay in decision making: Companies are democratically managed through the Board of Directors which is followed by the top management, middle management and lower level management.

(vi) Oligarchic management: In theory, a company is a democratic institution wherein the Board of Directors are representatives of the shareholders who are the owners. In practice.

(vii) Conflict in interests: There may be conflict of interest amongst various stakeholders of a company.

TYPES OF COMPANIES:

1. Private Company:



- (a) restricts the right of members to transfer its shares.
- (b) has a minimum of 2 and a maximum of 200 members, excluding the present and past employees.
- (c) does not invite public to subscribe to its securities

2. Public Company:



- /(a) has a minimum of 7 members and no limit on maximum members;
- (b) has no restriction on transfer securities.
- (c) is not prohibited from inviting the public to subscribe to its securities.

3. One Person Company:

According to Sec.2 (62) of the Companies Act, 2013, ‘company which has only 1 person as a shareholder’. Rule number 3 of the Companies (Incorporation) Rules, 2014 says that:

- Only a natural person who is an Indian citizen and an Indian resident can form 1 person company.
- It cannot execute non-banking financial investment pursuits.
- It is paid-up share capital which is not more than ₹ 50 Lakhs.
- Its aggregate annual turnover of 3 years does not cross ₹ 2 Crores.

STAGES IN THE FORMATION OF A COMPANY

1. Promotion of company: It entails conceptualizing a business idea and taking the initiative to start a company so that the available business opportunity can be put into practice.

Promoter: The term Promoter is defined in Section 2 (69) of the Companies Act 2013 as

(i) who has been named as such in a prospectus or is identified by the company in the annual return referred to in section 92; or

(ii) who has control over the affairs of the company, directly or indirectly whether as a shareholder, director or otherwise; or

(ii) in accordance with whose advice, directions or instructions the Board of Directors of the company is accustomed to act:

Functions of Promoter:

1. Identification of business opportunity
2. Feasibility studies:
 - Technical feasibility
 - Financial feasibility
 - Economic feasibility
3. Name approval
4. Fixing up Signatories to the Memorandum of Association
5. Appointment of professionals
6. Preparation of necessary documents

2. Incorporation

The application must be filed with the Registrar of Companies in the state where the company's registered office will be located. A registration application must be accompanied by specified papers.

Effect of the Certificate of Incorporation:

The date inscribed on the Certificate of Incorporation marks the beginning of a company's legal existence. On that date, it becomes a legal entity with eternal succession.

3. Capital Subscription:

Unlike a public limited company, a private corporation is not required to produce a prospectus or complete the formalities of a minimum subscription. SEBI clearance is required to raise funds from the public.

Process of Capital Subscription:

1. SEBI Approval
2. Filing of Prospectus
3. Appointment of Bankers, Brokers, Underwriters
4. Minimum Subscription
5. Application to Stock Exchange
6. Allotment of Shares

4. Commencement: Company applies to the registrar to issue “Certificate of Commencement of Business”. Along with application, some documents are also submitted. The registrar will verify all the documents submitted by the company. If he is satisfied, he will issue a Certificate for Commencement of Business. The company can start its activities from the date of issue of this certificate. All the dealings after issue of this certificate are binding on the company.

IMPORTANT DOCUMENTS USED IN FORMATION OF A COMPANY

The Memorandum of Association, Articles of Association, and Consent of Directors are the documents required. Documents required to be submitted given as below

1. **Memorandum of Association:** It identifies the company's goals. The following clauses are included in the MoA:
 1. Name Clause
 2. Registered office clause
 3. Object's clause
 4. Liability clause
 5. Capital clause
 6. Subscription Clause
2. **Articles of Association:** They are the rules that govern a company's internal management. These regulations are an addendum to the Memorandum of Association; they should not conflict with or supersede anything in the Memorandum of Association.
3. **Consent of Proposed Directors:** In addition to the Memorandum and Articles of Association, everyone nominated as a director must sign a written permission stating that they accept to function in such capacity and agree to purchase and pay for qualification shares.

4. Agreement: Another document that must be presented to the Registrar for the company to be registered under the Act is the agreement that the firm forms with an individual as a Director or a full-time Director or Manager.

5. Statutory Declaration: A declaration confirming that all legal conditions for registration have been met must be presented to the Registrar along with the above-mentioned documents for the company to be legally registered.

6. Receipt of Payment of Fee: The necessary payments for the company's registration must be paid. The amount of such fees will be determined by the company's authorized share capital.

Basis of Difference	Memorandum of Association (MOA)	Article of Association (AoA)
Objectives	The purposes of company is defined in the Memorandum of Association.	AoA described the rules of internal management.
Position	This is the company's primary document, and it is governed by the Companies Act.	This is a supporting document that exists along side the Memorandum of Association and the Companies Act.
Relationship	The company's interaction with outsiders is defined by the Memorandum of Association.	Articles clarify the members' and company's connection.
Validity	Acts that go beyond the MoA are void and cannot be ratified by the members even if they vote unanimously	Members can ratify acts that go beyond the Articles as long as they don't contradict the Memorandum.
Necessity	A Memorandum of Association is required for every business.	It is not required to be filed by a public limited business. Table F of the Companies Act of 2013 may be adopted.

FACTORS AFFECTING CHOICE OF FORM OF BUSINESS ORGANISATION

(i) Cost and ease in setting up the organisation: As far as initial business setting-up costs are concerned, sole proprietorship is the most inexpensive way of starting a business

(ii) Liability: In case of sole proprietorship and partnership firms, the liability of the owners/partners is unlimited.

(iii) Continuity: The continuity of sole proprietorship and partnership firms is affected by such events as death, insolvency or insanity of the owners.

(iv) Management ability: A sole proprietor may find it difficult to have expertise in all functional areas of management.

(v) Capital considerations: Companies are in a better position to collect large amounts of capital by issuing shares to a large number of investors.

(vi) Degree of control: If direct control over operations and absolute decision making power is required, proprietorship may be preferred.

(vii) Nature of business: If direct personal contact is needed with the customers such as in the case of a grocery store, proprietorship may be more suitable.

Table 2.5 Comparative Evaluation of Forms of Organisation

Basis of comparison	Sole proprietorship	Partnership	Joint Hindu family business	Cooperative society	Company
Formation	Minimal legal formalities, easiest formation	Registration is optional, easy formation	Less legal formalities, exemption from registration, easy formation	Registration compulsory, greater legal formalities	Registration compulsory, lengthy and expensive formation process
Members	Only owner	Minimum-2 Maximum: 50	At least two persons for division of family property, no maximum limit	At least 10 adults, no maximum limit	Minimum Private-2 Public Company-7 Maximum Private Company-200 Public Company-unlimited
Capital contribution	Limited finance	Limited but more than that can be raised in case of sole proprietorship	Ancestral property	Limited	Large financial resources
Liability	Unlimited	Unlimited and joint	Unlimited (<i>Karta</i>), Limited (Other members)	Limited	Limited
Control and management	Owner takes all decisions, quick decision making	Partners take decisions, consent of all partners is needed	<i>Karta</i> takes decisions	Elected representative, i.e., managing committee takes decisions	Separation between ownership and management
Continuity	Unstable, business and owner regarded as one	More stable but affected by status of partners	Stable business, continues even if <i>karta</i> dies	Stable because of separate legal status	Stable because of separate legal status

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SELF-ASSESSMENT

1. State the important privileges available to a private company.
2. How does a cooperative society exemplify democracy and secularism?
3. Why is it important to choose an appropriate form of organisation? Discuss the factors that determine the choice of form of organisation.
4. Discuss the characteristics, merits and limitation of cooperative form of organisation. Also describe briefly different types of cooperative societies.
5. Distinguish between a Joint Hindu family business and partnership.

-----**END OF CHAPTER**-----

CHAPTER – 3

PUBLIC, PRIVATE AND GLOBAL ENTERPRISES

LEARNING OBJECTIVES

- *Concept of Public Sector & Private Sector Enterprises*
- *Meaning, Features, Merits & Limitations of Departmental Undertaking, Statutory Corporation & Government Company*
- *Meaning & Features of Global Enterprises*
- *Meaning & Features of Public Private Partnership*

MEANING OF PUBLIC SECTOR ENTERPRISES

The public sector consists of business enterprises owned and controlled by Government.

MEANING OF PRIVATE SECTOR ENTERPRISES

The private sector consists of business owned and controlled by individuals or a group of individuals.



1. DEPARTMENTAL UNDERTAKINGS:

These enterprises are established as departments of the Ministry and are considered as part of the Ministry itself e.g. All India Radio, Doordarshan, Railways, Post and Telegraph etc.

FEATURES:

1. The funding of these enterprises comes from the Govt treasury through budget allocation of the Govt.
2. They are subject to accounting and audit control.
3. The employees of the enterprise are Govt servants.
4. They are subject to direct control of the Ministry.
5. They are accountable to the Ministry.

MERITS:

1. These ensure a high degree of public accountability.
2. Their revenue goes directly to the treasury.
3. This form is most suitable, where national security is considered.
4. These undertakings facilitate the Parliament to exercise effective control over their operations.

LIMITATIONS:

1. They lack flexibility in their operations.
2. There is red-tapism in day-to-day operations.
3. There is a lot of political interference through the Ministry.
4. They do not provide adequate services to consumers.

2. PUBLIC CORPORATION/STATUTORY CORPORATIONS

Statutory corporations are public enterprises brought into existence by a Special Act of the Parliament e.g. Reserve Bank of India, LIC, Air India, ONGC, SBI, etc.

FEATURES:

1. They are set up under an act of Parliament.
2. This type of organisation is wholly owned by the state.

3. This type of enterprise is usually independently financed.
4. The employees of these enterprises are not government or civil servants.
5. A statutory corporation is a body corporate and can sue and be sued, enter into contract and acquire property in its own name.

MERITS:

1. They enjoy a high degree of operational flexibility.
2. Govt generally does not interfere in their financial matters.
3. They can frame their own policies and procedures.
4. The staff enjoy better salary and service condition.

LIMITATIONS:

1. All actions are subject to many rules and regulations.
2. Govt and political interference has always been there in major decisions.
3. Where there is dealing with public, corruption exists.
4. The Government has a practice of appointing advisors to the Corporation Board. This curbs the freedom of the corporation in entering into contracts and other decisions.

3. GOVERNMENT COMPANY:

According to the Companies Act 2013, a government company means any company in which not less than 51% of the paid up capital is held by the Central govt or by any State Govt or partly by Central Govt and partly by one or more State Govts. The shares are purchased in the name of the President of India e.g. FACT, HMT, ITI, STC, IOC, Hindustan shipyard etc.

FEATURES :

1. These are created as per the provisions of Companies Act.

2. These have a separate legal entity.
3. The management of the Govt company is regulated by the Provisions of the Companies Act.
4. Their employees are appointed according to their own rules and regulations.
5. They obtain their funds from Govt shareholdings and other private shareholders.
6. These companies are exempted from the accounting and audit rules and procedures.

MERITS:

1. A government company can be established by fulfilling the requirements of the Indian Companies Act.
2. It has a separate legal entity.
3. It enjoys autonomy in its operations.
4. These companies by providing goods and services at reasonable prices are able to control the market

LIMITATIONS:

1. Since the Government is the only shareholder in some of the companies, the provisions of the Companies Act does not have much relevance.
2. The management and administration rests in the hands of the government. The main purpose of a government company, registered like other companies, is defeated.

GLOBAL ENTERPRISES (MULTI-NATIONAL CORPORATIONS [MNC]):

A company which is having its headquarters in one country and spreads its operations in many countries is called a global enterprise e.g. Pepsi, Coca Cola, Hindustan Unilever etc.

FEATURES:

- 1. Huge capital resources:** Global enterprises have huge capital resources. They can also raise vast funds from different sources.

2. Foreign collaboration: Global enterprises enter into agreements with companies relating to the sale of technologies, production of goods, use of brand names for the final products etc.

3. Advanced technology: Use of advanced technology helps the MNCs to provide world class products and services.

4. Product innovation: The MNCs have sophisticated Research and Development departments. This helps them to improve their existing products and develop new products.

5. Marketing strategies: MNCs use aggressive marketing strategies in order to increase their sales in a short period. They also have a reliable and up-to-date market information system.

6. Expansion of market: With vast resources and effective marketing strategy, an MNC can easily enter international markets.

7. Centralized control: All the branches of MNCs in different countries are controlled by the headquarters.

PUBLIC PRIVATE PARTNERSHIP:

It is a relationship among public sector and private sector for allocation and completion of development projects. The government's contribution to PPP is in the form of capital for investment and transfer of assets. The private sector's role in the partnership is to make use of its expertise in operations, managing tasks and innovation to run the business efficiently.

FEATURES:

1. Contract with the private party to design and build public facility.
2. Facility is financed and owned by the public sector.
3. Key driver is the transfer of design and construction risk.

Example • Kundli Manesar Expressway Ltd.: In this 135 km expressway, land has been provided by the government and surface has been laid out by the company

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SELF ASSESSMENT

1. Explain the concept of public sector and private sector.
2. State the various types of organisations in the private sector.
3. What are the different kinds of organisations that come under the public sector?
4. State the meaning of public private partnership.
5. Gas Authority of India Ltd. is carrying on various projects of energy and power. Majority of its shares are held by Government of India. It is registered under the Companies Act and enjoys all the characteristics of a company. The company prepares its annual report and submits to appropriate authorities.
 - a) Name the type of public sector enterprise referred to in the above para.
 - b) In whose name does government buy shares?
 - c) Where does such public sector enterprises submit their annual report?

-----**END OF CHAPTER**-----

CHAPTER – 4

BUSINESS SERVICES

LEARNING OBJECTIVES:

- *Meaning & Types of Business Services*
- *Meaning & Types of Banking Services*
- *Types of Bank Accounts*
- *Meaning of e-banking & types of digital payments*
- *Concept, types & principles of Insurance*
- *Meaning of different Postal Services*
- *Utility of different Telecom Services*

MEANING OF BUSINESS SERVICES

Business services are those services which are used by business enterprises for the conduct of their activities.

TYPES OF BUSINESS SERVICES

- Banking Services
- Insurance Services
- Transportation Services
- Postal Services
- Telecom Services

MEANING OF BANKING SERVICES

Banking means accepting, for the purpose of lending and investment of deposits of money from the public, repayable on demand or otherwise and withdraw able by cheques, draft etc.

TYPES OF BANKING SERVICES

1. Bank Draft: This is a cheque drawn by one bank against funds deposited into its account at another bank, authorising the second bank to make payment to the individual whose name is written on the draft.

2. Bank Overdraft: Under this arrangement, customer having current account is allowed to withdraw more than the balance in his account.

3. Cash Credit: Under this arrangement, the borrower is allowed to withdraw up to certain limit against security.

TYPES OF BANK ACCOUNTS

1. Saving Account: A person can open a saving deposit account by depositing a small sum of money. He can withdraw money from his account whenever needed and can deposit whenever surplus is available. Depositor is issued a cheque book and passbook. All the amounts deposited and withdrawn are recorded in passbook. Rate of interest is generally lower than fixed deposit.

2. Current Account: It is opened by businessmen. The account holder can deposit and withdraw money whenever desired. Withdrawals are always made by cheque. Overdraft & credit limit facility is available in this account. No interest is paid on this account rather some service charges are charged by bank for rendering services.

3. Recurring Deposit Account: A depositor can deposit a fixed amount say ₹100 every month for a fixed period. The amount together with interest is repaid on maturity. The rate of interest is higher than that on saving account.

4. Fixed Deposit Account: A fixed deposit is repayable after the expiry of the specified period. The period may vary from six months to five years. Longer the period, higher is the rate of interest. The rate of interest in fixed deposit is the highest.

5. Multiple Option Deposit Account: This account can be combination with savings account or current account. In this account the depositor can enjoy the liquidity of savings and current accounts and rate of interest of fixed deposit. When the amount of deposit exceeds a particular limit then automatically the amount gets transferred into fixed deposit.

MEANING OF E-BANKING

E-banking is a service that allows a customer to conduct banking transactions over the internet using a personal computer, mobile telephone or handheld computer

TYPES OF DIGITAL PAYMENTS

1. Debit Card: It is a facility offered to account holders to make payment up to the amount of credit balance in their account. The bank automatically transfers funds from customer's account to the biller's account when the customer types the required information.

2. Credit Card: Credit Card is like a bank account without having balance in it. It enables the card holders to have overdraft facility up to a fixed limit depending upon the creditworthiness of the party.

3. National Electronic Fund Transfer (NEFT): Under this, fund is directly transferred from one account to another. NEFT is on Net Settlement basis. There is no minimum value for NEFT. NEFT is available in 75,000 branches of banks.

4. Real Time Gross Settlement(RTGS): RTGS are funds transfer system where transfer of money or securities takes place from one bank to another on a “real time” and on “gross” basis. “Settlement” in real time means payment transaction is not subjected to any waiting period. . “Gross settlement” means the transaction is settled on one to one basis without bunching or netting them with any other transaction. In it, minimum value of transaction should be ₹2,00,000. RTGS is available in 72,000 branches of banks.

5. Automated Teller Machine (ATM): The person who makes payments and accepts deposits in bank is known as Teller. The ATM refers to mechanical and Automatic Teller. To use an ATM, you insert a plastic card in the machine and enter your identification code. If the code matches, the machine responds by giving cash, taking deposits etc.

6. E-cash/ Digital Cash: E-cash is used over internet, email or personal computer or on mobile. The work of digital cash is similar to that of electronic fund transfers done between banks.



MEANING OF INSURANCE

It is a contract or agreement under which one party agrees in return for a consideration to pay an agreed amount of money to another party to make a loss, damage or injury to something of value in which the insured has a pecuniary interest as a result of some uncertain event.

PRINCIPLES OF INSURANCE

1. Utmost Good Faith: Both the insurer and the insured should display good faith towards each other in regard to the contract. It is the duty of the insured to voluntarily make full, accurate disclosure of all facts, material to the risk being proposed and the insurer to make clear all the terms and conditions in the insurance contract. For example, if insured is having some kind of medical problem, he should disclose it at the time of taking policy.

2. Insurable Interest: Insurable interest means some pecuniary interest in the subject matter of the insurance contract. The insured must have an interest in the preservation of the thing or life insured, so that he/she will suffer financially on the happening of the event against which he/she is insured. For example, a trustee holding property on behalf of others has an insurable interest in the property.

3. Indemnity: According to it, the insurer undertakes to put the insured, in the event of loss, in the same position that he occupied immediately before the happening of the event insured against. The principle of indemnity is not applicable to life insurance.

4. Proximate Cause: According to this principle, an insurance policy is designed to provide compensation only for such losses as are caused by the perils which are stated in the policy. When the loss is the result of two or more causes, the proximate cause means the direct, the most dominant and most effective cause of which the loss is the natural consequence.

5. Subrogation: After the insured is compensated for the loss or damage to the property insured by him/her the right of ownership of such property passes on to the insurer. This is because the insured should not be allowed to make any profit, by selling the damaged property or in the case of lost property being recovered.

6. Contribution: It implies, that in case of double insurance, the insurers are to share the losses in proportion to the amount assured by each of them. If the full amount is recovered from one insurer the right to obtain further payment from the other insurer will cease.

TYPES OF INSURANCE

1. Life Insurance: Life insurance is a contract in which the insurer in consideration of a certain premium, either in a lump sum or by other periodical payments, agrees to pay to the assured, or to the person for whose benefit the policy is taken, the assured sum of money, on happening of a specified event contingent on the human life or at the expiry of certain period.

2. Health Insurance: It is an insurance in which the insurance company charges a nominal premium every year and in return undertakes to provide up to stipulated amounts for the treatment of certain diseases such as heart problem, cancer, asthma etc.

3. Fire Insurance: Fire insurance is a contract whereby the insurer, in consideration of the premium paid, undertakes to make good any loss or damage caused by fire during a specified period up to the amount specified in the policy. Normally, the fire insurance policy is for a period of one year after which it is to be renewed from time to time.

4. Marine Insurance: A marine insurance contract is an agreement whereby the insurer undertakes to indemnify the insured in the manner & to the extent thereby agreed against marine losses. Marine insurance provides protection against loss by marine perils.

POSTAL SERVICES

1. Mail: It includes transmission of messages through post cards, inland letters, envelopes, etc.

2. Registered post: A letter, post card, book, parcel may be registered. The fee for registration is charged in addition to the postal charges for each article. Registration makes the transmission of an article more secure.

3. Parcel: Business firms and even common people may need to send parcels or packets containing goods or documents to customers or other people. A parcel could be booked at the designated window of the post office and receipt thereof taken as a proof.

4. Speed post: Postal department offers speed post service for very fast delivery of letters between the specified big cities of India and some foreign countries. The sender has to pay extra charges for the speed post in addition to normal postal charges.

5. Courier: It includes delivery of letters, documents and small parcels from one place to another through private operators known as courier companies.

TELECOM SERVICES

1. Cellular Mobile Services: These are all types of mobile telecom services including voice and non-voice messages, data services and PCO services utilising any type of network equipment within their service area.

2. Fixed Line Services: These are all types of fixed services including voice and non-voice messages and data services to establish linkages for long distance traffic.

3. Cable Services: These are linkages and switched services within a licensed area of operation to operate media services, which are essentially one-way entertainment service.

4. VSAT Services: VSAT (Very Small Aperture Terminal) is a satellite-based communications service. It offers businesses and government agencies a highly flexible and reliable communication solution in both urban and rural areas.

5. DTH Services: DTH (Direct to Home) is again a satellite-based media services provided by cellular companies. One can receive media services directly through a satellite with the help of a small dish antenna and a set top box.

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SELF ASSESSMENT:

- | | | |
|------|--|---|
| Q. 1 | Which account is meant for business concerns? | 1 |
| Q. 2 | Mention any two features of business service. | 1 |
| Q. 3 | Insurable interest is a fundamental principle of insurance. When should it be present in case of (i) life insurance (ii) fire insurance (iii) marine insurance? | 3 |
| Q. 4 | Vimal got his factory insured for ₹1 crore and later suffered a loss of ₹20 lac. He got full compensation of ₹20 lac from the insurance company and later sold some half-burnt goods for ₹50,000. Who has the right over the sale proceeds and why? Explain. | 4 |
| Q. 5 | Vijay gets his factory insured for ₹50 lac against fire with Alpha Insurance Co. and for ₹25 lac with Beta Insurance Co. A fire broke out and Vijay suffered a loss of ₹15 lac. How much compensation can Vijay claim from insurers? Explain the principle involved. Show your workings clearly. | 6 |

-----**END OF CHAPTER**-----

CHAPTER - 5

EMERGING MODES OF BUSINESS

LEARNING OBJECTIVES

- *Meaning of e-business*
- *Scope of e-business*
- *Benefits of e business*
- *Distinguish e-business and traditional business*

MEANING OF E-BUSINESS

E-business may be defined as the conduct of industry, trade and commerce using the computer networks.

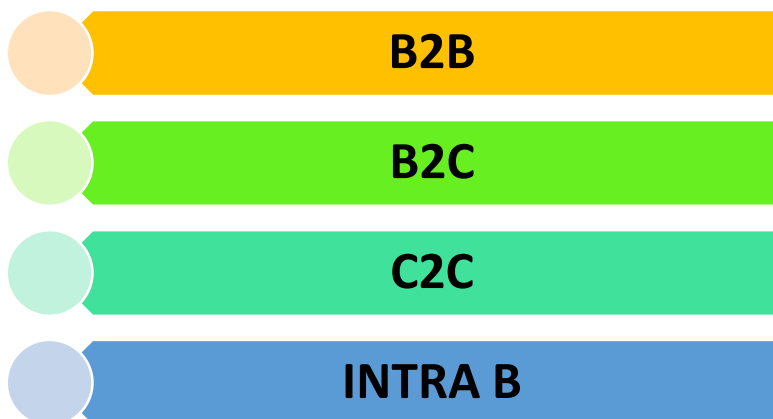
E-BUSINESS VERSUS E-COMMERCE:

The term ‘business’ is a broader term than ‘commerce’, e-business is a more elaborate term and comprises various business transactions and functions conducted electronically, including the more popular gamut of transactions called ‘e-commerce.’

e-commerce covers a firm’s interactions with its customers and suppliers over the internet.

e-business includes not only e-commerce, but also other electronically conducted business functions such as production, inventory management, product development, accounting and finance and human resource management.

Scope of e-Business



(i) **B2B Commerce:** Here, both the parties involved in e-commerce transactions are business firms, and, hence the name B2B, i.e., business-to-business.

(ii) B2C Commerce: As the name implies, B2C (business-to-customers) transactions have business firms at one end and its customers on the other end.

(iii) C2C Commerce: Here, the business originates from the consumer and the ultimate destination is also consumers, thus the name C2C commerce.

(iv) Intra-B Commerce: Here, parties involved in the electronic transactions are from within a given business firm, hence, the name intra-B commerce. As noted earlier too, one critical difference between e-commerce and e-business is that, e-commerce comprises a business firm's interaction with its suppliers, and distributors/other business firms (hence, the name B2B) and customers (B2C) over the internet.

Difference between Traditional and e-Business		
Basis of distinction	Traditional business	e-business
Ease of formation	Difficult	Simple
Physical presence	Required	Not required
Locational requirements	Proximity to the source of raw materials or the market for the products	None
Cost of setting up	High	Low as no requirement of physical facilities
Operating cost	High due to fixed charges associated with investment in procurement and storage, production, marketing and distribution facilities	Low as a result of reliance on network of relationships rather than ownership of resources
Nature of contact with the suppliers and the customers	Indirect through intermediaries	Direct
Nature of internal communication	Hierarchical - from top level management to middle level management to lower level management to operatives	Non-hierarchical, allowing direct vertical, horizontal and diagonal communication

Response time for meeting customers'/internal requirements	Long	Instantaneous
Shape of the organisational structure	Vertical/tall, due to hierarchy or chain of command	Horizontal/flat due to directness of command and communication.
Business processes and length of the cycle	Sequential precedence-succession relationship, i.e., purchase - production/ operation - marketing - sales. The, business process cycle is, therefore, longer	Simultaneous (concurrence) different processes. Business process cycle is, therefore, shorter
Opportunity for inter-personal touch	Much more	Less
Opportunity for physical pre-sampling of the products	Much more	Less. However, for digitable products such an opportunity is tremendous. You can pre-sample music, books, journals, software, videos, etc.
Ease of going global	Less	Much, as cyber space is truly without boundaries
Government patronage	Shrinking	Much, as IT sector is among the topmost priorities of the government
Nature of human capital	Semi-skilled and even unskilled manpower needed.	Technically and professionally qualified personnel needed
Transaction risk	Low due to arm's length transactions and face-to-face contact.	High due to the distance and anonymity of the parties

BENEFITS OF E-BUSINESS

1. Easy to form

Very easy to start e – business because host of procedures required for traditional business are not required for e – Business

2. Requires Less Investment

Both big and small business gets the benefits of internet equally. Thus even one start of small business with less investment can derive the benefit of e – Business.

3. Convenience

Internet offers the convenience of 24 hours X 7 days a week with a less investment – i.e. one can access anything, anywhere, any time.

4. Speed

Any business transaction can be made simply at the click of the mouse button, for e.g. Electronic Funds Transfer takes place at the speed of light

5. Global reach/access

In e – Business both businessmen and consumers have no national boundaries because internet is without such boundaries. In absence of such internet, globalization may be restricted in scope and speed.

6. Movement towards paperless society

Cutting thousands and thousands of trees to make paper adversely affects the environment but internet has considerably reduced the dependence on paper.

USEFUL LINKS

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SELF ASSESSMENT

1. State difference between e- business and traditional business on the basis of formation.
2. OLX is an example of which of the following category of e- business:
 - a. B2B b.) B2C c.) C2C d.) Intra B
3. mail sent by purchase department to production department is example of which of the following:
 - a. B2B b.) B2C c.) C2C d.) Intra B
4. A company is running several garment stores in different parts of the country. Recently, its sales are declining. Actually, it is facing stiff competition from e-Commerce or online firms. The management of the company is worried over declining sales. It has approached a consultant to suggest measures to increase sales. And the consultant has advised to launch an e-Commerce portal of the company.

Questions

- a) Do you agree with the advice of the consultant?
- b) If the company starts e-Commerce business, what benefits will it achieve?

5. A firm 's electronic transactions and networks can be visualised as extending into all these directions except
- (a) B2B
 - (b) B2C
 - (c) C2C
 - (d) Intra-B
6. The term B2B commerce stands for
- (a) Business to Buyer (b) Buyer to Buyer
 - (c) Buyer to Business (d) Business to Business
7. B2B commerce helps in all these except
- (a) Customised production (b) Improved distribution system
 - (c) Reduce dependence on single supplier (d) Online customer surveys
8. Your father has an old scooter and you want to replace it with a new scooter. Your father is not ready to sell old scooter because he thinks he will not get good price for his old scooter and he cannot afford a new scooter. You found a buyer for your scooter at OLX who was ready to buy your scooter at a good price so you finally sold your old scooter. Which type of e-commerce did you use?
- (a) B2B (b) B2C (c) B2E (d) C2

-----END OF CHAPTER-----

CHAPTER - 6

SOCIAL RESPONSIBILITY OF BUSINESS AND BUSINESS ETHICS

LEARNING OBJECTIVES

- *Concept of social responsibility*
- *Case for social responsibility*
- *Social responsibility towards different interest groups*
- *Role of business in environment protection*
- *Concept of business ethics*
- *Elements of business ethics*

MEANING OF SOCIAL RESPONSIBILITY

Social Responsibility of business refers to its obligation to take those decisions and perform those actions which are desirable in terms of objectives and values of our society.

NEED FOR SOCIAL RESPONSIBILITY

A better business can survive & grow only in a better society because it takes all resources from the society and serve to the society. So businesses become integral part of the society, therefore they should assume social responsibility.

CASE FOR SOCIAL RESPONSIBILITY

- 1. Justification for existence and growth:** The ultimate motive of business is profit, as only profit can help the business grow and expand. Profit should be made as an outcome of service to the society by means of producing goods and services to satisfy human needs.
- 2. Long term interest of the firm:** A firm and its image stand to gain maximum profits in the long run when it has its highest goal as 'service to society'.
- 3. Avoidance of government regulations:** When a particular business is not socially responsible, government regulations tend to limit its freedom. Therefore, it is believed that if businessmen are socially responsible, they can avoid government regulations.
- 4. Maintenance of Society:** Law alone can't help out people with all the difficulties they face. When businesses turn socially responsible they take care of the society's need, the society is at

peace. That means business houses also have some responsibility to contribute something for social peace & harmony.

5. Availability of Resources with Business: The business enterprises have huge financial resources, very efficient managers & contacts and thereby they can ensure that a social problem can be solved easily, in the best way possible.

6. Converting problems with opportunities: Business with its glorious history of making risky situations into profitable deals can not only solve social problems but also make them effectively useful.

7. Better environment for doing business: If the business is to run in a society with diverse problems, the success of the business is limited. Therefore, if the business takes measures to resolve the social problems, the business can create a better environment for its functioning and thereby earn more profits.

8. Holding business responsible for social problems: It is argued that many problems are created by the existence of business enterprise themselves – like environmental pollution, discriminated employment, corruption etc. Therefore, it is the duty of business to set right the problems caused by them.

9. Better environment for doing business: If the business is to run in a society with diverse problems, the success of the business is limited. Therefore, if the business takes measures to resolve the social problems, the business can create a better environment for its functioning and thereby earn more profits.

SOCIAL RESPONSIBILITY TOWARDS DIFFERENT INTEREST GROUPS

1. Responsibility towards shareholders or owners

- * To provide fair return on their investment, ensure safety of their investment
- * To provide regular, accurate and full information about the business.

2. Responsibility towards the workers

- * To provide opportunities for meaningful work,
- * To create the right kind of working conditions,

- * To respect the democratic rights of the workers
- * To ensure a fair wage deal from the management.

3. Responsibility towards the consumer

- * To provide right quality and quantity of goods and services at reasonable prices
- * To avoid adulteration, hoarding, dishonest and misleading advertisements.

4. Responsibility towards the government & community

- * To respect the laws of the country and pay taxes regularly and honestly
- * To act according to well accepted values of the society and to protect environment.

ROLE OF BUSINESS IN ENVIRONMENTAL PROTECTION

1. A **definite commitment by top management** to systematically protect environment.
2. **Involving all divisions and sections of employees** in environmental protection.
3. Developing **clear cut policies and programs** with regards to quality, method and process of production and disposal of waste.
4. **Complying with laws of the land** in relation to environmental protection.
5. Participation in government programs such as **management of waste, forestation** etc.
6. **Periodical assessment of pollution** control programs of their own, with a view to improve them.
7. **Arranging educational workshops and training** materials to share technical information with everyone involved in pollution control.

MEANING OF BUSINESS ETHICS

Business ethics refers to the socially determined moral principles which should govern business activities.

Examples of Business Ethics

- Charging fair prices
- Using correct/accurate weights
- Giving fair treatment to all employees
- Avoiding adulteration, hoarding etc.
- Not engaging in any illegal methods of operation and not doing anything which is being considered as undesirable by the society.
- Using environmentally friendly products, methods and processes.

ELEMENTS OF BUSINESS ETHICS

1. Top Management commitment: Higher level managers need to be openly and strongly committed to ethical conduct. They should continuously try and uphold the values of the organization and the society.

2. Publication of a ‘code’: ‘Code’ refers to the written ethical programs followed by a particular business or industry – which normally covers the areas of honesty, adherence to laws, product’s safety and quality and fairness in all dealings.

3. Establishment of Compliance Mechanism: Simply having a written ‘Code of Ethics’ is not sufficient; the business needs to ensure its effective implementation at all levels & throughout the life of the business.

4. Involving employees at all levels: To make ethical business a reality, employees at all levels must be involved.

5. Measuring Results: Measuring the results of ethics programs may be difficult but can have an audit at regular intervals to monitor compliance with ethical standards and decide about further course of action.

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SELF ASSESSMENT

1. Business has various social responsibilities towards different interest groups. Identify the interest groups in the following responsibilities assumed by business-

- a) Establishing educational institution for the weaker section of society
- b) Investing shareholders money to provide them maximum returns on investments
- c) Meditech Services prepare its true and fair annual accounts, pays all taxes on time
- d) Infosys holds regular workshops to train and develop its marketing staff

2. “Business Enterprises are the creators of pollution. “Do you think business enterprises must take prime responsibility to control pollution?

3. An organization must behave as a good citizen. This is an example of the responsibility towards:

a. Owners b. workers c. Society d. Government

4. Which of the following refers to the code or system for controlling means to serve human ends?

(a) Ethics (b) Values (c) Traditions (d) Policy

5. Ethical behaviour is just and fair conduct which goes beyond observing laws and _____

a) government regulation b) NGO’s regulation

c) company’s regulation d) Employee’s views

6. Although it is difficult to measure the end of ethical programmes, the firms can audit to monitor compliance with ethical standards. Is related to which element of business ethics:

(a) Establishment of compliance mechanism (b) Measuring results

(c) Involving employees at all levels (d) Top management commitment

-----**END OF CHAPTER**-----

CHAPTER - 7

SOURCE OF THE BUSINESS FINANCE

LEARNING OBJECTIVES

- *Meaning, Nature & Importance of Business Finance*
- *Meaning & Classification of Owners' Funds*
- *Meaning & Classification of Borrowed Funds*
- *Difference between Owners' Funds & Borrowed Funds*

CONCEPT OF BUSINESS FINANCE

The requirements of funds by business to carry out its various activities is called business finance.

NATURE OF BUSINESS FINANCE

Finance is life blood of an enterprise. A business cannot function unless adequate funds are made available to it.

NEED OF BUSINESS FINANCE

1. Fixed Capital Requirement: In order to start a business, funds are needed to purchase fixed assets like land and building, plant and machinery. The funds required in fixed assets remain invested in the business for a long period of time.

2. Working Capital Requirement: A business needs funds for its day to day operation. This is known as working Capital requirements.

3. Diversification: A company needs more funds to diversify its operation to become a multi-product company e.g. ITC.

4. Technology upgradation: Finance is needed to adopt modern technology for example uses of computers in business.

5. Growth and expansion: Higher growth of a business enterprise requires higher investment in fixed assets. So finance is needed for growth and expansion.

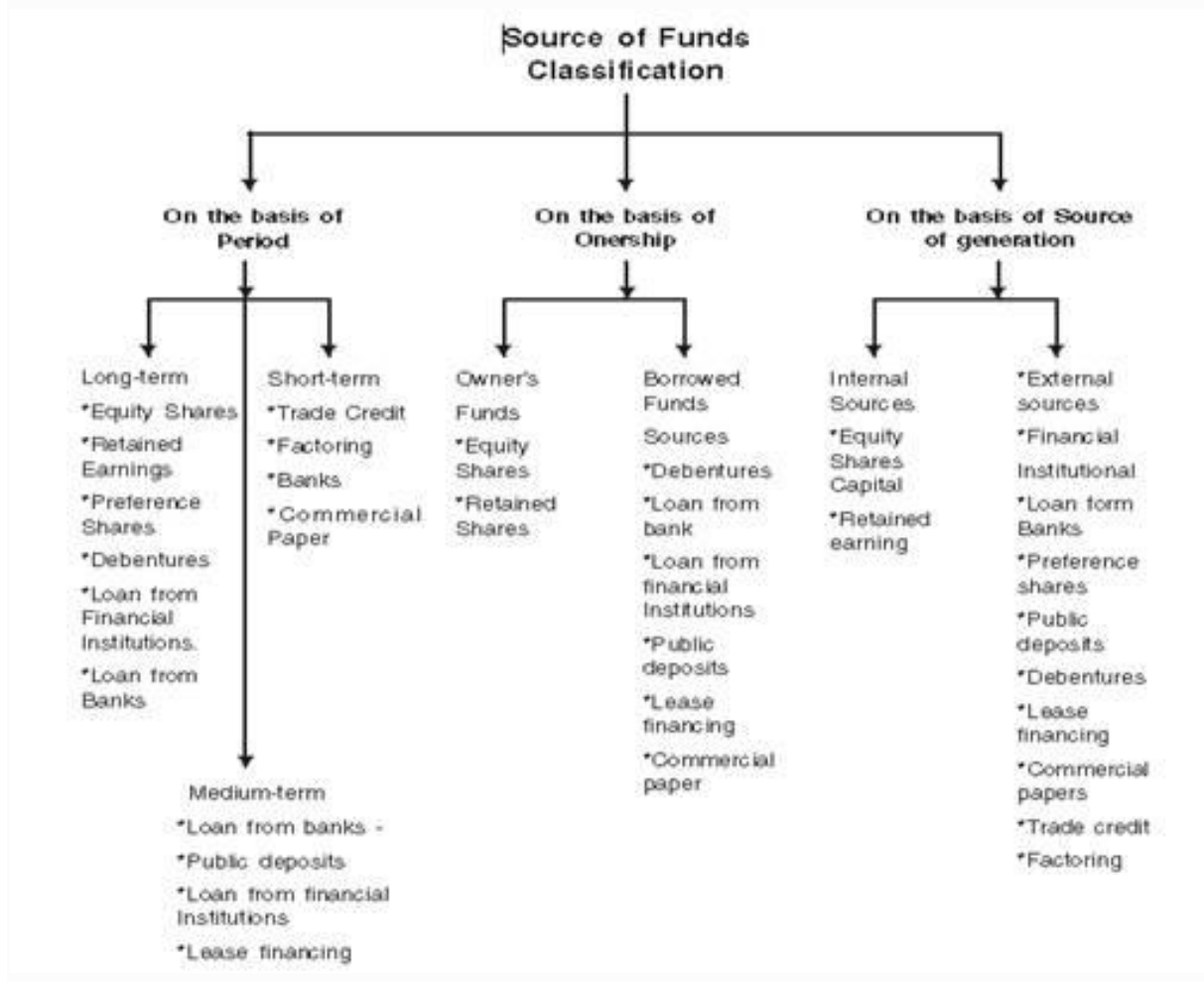
MEANING OF OWNERS' FUNDS

Owner's funds mean funds that are provided by the owners of an enterprise, which may be a sole trader or partners or shareholders of a company.

MEANING OF BORROWED FUNDS

'Borrowed funds' refer to the funds raised through loans or borrowings.

CLASSIFICATION OF SOURCE OF FUNDS



SOURCES OF OWNERS' FUNDS

1. Equity Shares: Equity shares represent the ownership of a company. They have right to vote and right to participate in the management.

FEATURES:

- Permanent Capital
- No charge on assets
- Higher returns
- Control
- No burden on company
- Risk
- Higher Cost

- Delays
- Issue depends on Share Market Conditions

2. Preference Share: Preference shares are considered safer in investment. (as compared to equity shares) They get preference for payment of dividend & repayment of capital in case of winding up of the company.

FEATURES:

- Investment is safe
- No Charge on assets
- Control
- Fixed dividend
- Costly sources of funds
- No tax saving
- Not suitable for risk takers

3. Retained Earnings: A portion of company's net profit after tax and dividend, which is not distributed but are retained for reinvestment purpose, is called retained earnings. This is also called sources of self-financing.

FEATURES:

- No costs
- No charges on assets
- Growth and expansion
- Uncertain Source
- Dissatisfaction among shareholder
- Difference between Equity Shares and Preference Shares

SOURCES OF BORROWED FUNDS

1. Debentures: Debentures are the important debt sources of finance for raising long term finance. Debenture holders get fixed rate of interest on Debentures. They are like creditors of a company.

FEATURES:

- Investment is safe
- No control over management
- Less Costly
- Tax Saving
- Fixed Obligation
- Charge on assets
- Reduction in Credibility

2. Financial Institutions: The state and central government have established many financial institutions to provide finance to companies. They are called development banks. These are IFCI, ICICI, IDBI, LIC and UTI. etc.

FEATURES:

- Long term Finance
- Managerial Advice
- Easy instalments
- Easy availability
- More time Consuming
- Restrictions

3. Commercial Banks: Commercial Banks give loan and advances to business in the form of cash credit, overdraft loans and discounting of Bill. Rate of interest on loan is fixed.

FEATURES:

- Timely financial assistance
- Secrecy

- Easier source of funds
- Short or Medium-term finance
- Charge on assets

4. Public Deposits: The deposits that are raised by company direct from the public are known as public deposits. The rate of interest offered on public deposits are higher than the rate of interest on bank deposits.

FEATURES:

- No charge on assets
- Tax Saving
- Simple procedure:
- Control
- Short-term finance
- Limited fund
- Not Suitable for new company

5. Trade Credit: Trade credit is the credit extended by one trader to another for the purchase of goods and services.

FEATURES:

- Convenient & continuous source
- Helps to promote sales
- Helps in increasing inventory level
- Does not create charge on assets
- Leads to over trading
- Only limited amount available

6. Inter-Corporate Deposits (ICD): Inter-Corporate Deposits are unsecured short-term deposits made by one company with another company. The biggest advantage of ICDS is that the transaction is free from legal hassles.

FEATURES:

1. These transactions take place between two companies.
2. There are short term deposits.
3. These are unsecured deposits.
4. These transactions are generally completed through brokers.
5. These deposits have no organized market.
6. These deposits have no legal formalities.
7. These are risky deposits from the point of view of lenders.

DIFFERENCE BETWEEN OWNERS' FUNDS AND BORROWED FUNDS

S. N.	Basis	Owners' Funds	Borrowed Funds
1.	Nature	Shares are the capital	Debentures are a loan
2.	Return	Dividend	Interest
3.	Voting Right	Full voting right	No voting right
4.	Status	Owner	Creditor
5.	Repayment	Non-redeemable	Redeemable
6.	Security	Not secured by any charge	Secured and generally carry a charge on the assets of the company

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SELF ASSESSMENT

1. What do you mean by ploughing back of profits?
2. Name the return given to debenture holders for using their funds.
3. What preferential rights are enjoyed by preference shareholders?
4. Define Share?
5. State various international sources from where the funds can be generated.

-----**END OF CHAPTER**-----

CHAPTER – 8

SMALL BUSINESS

LEARNING OBJECTIVES:

- *Meaning & Features of Entrepreneurship Development*
- *Need of Entrepreneurship Development*
- *Process of Entrepreneurship Development*
- *Concept of Start Up India Scheme*
- *Ways to fund Start Up*
- *Concept of Intellectual Property Rights*
- *Definition of Small Scale Enterprises as per MSMED Act 2006*
- *Role of Small Business in India*
- *Government schemes & agencies for Small Scale Industries*

MEANING OF ENTREPRENEURSHIP DEVELOPMENT

Entrepreneurship is the process of setting up one's own business as distinct from pursuing any other economic activity, be it employment or practising some profession.

FEATURES OF ENTREPRENEURSHIP DEVELOPMENT

1. Systematic Activity: It is systematic, step by step and purposeful activity. It has certain competency requirements that can be acquired, learnt & developed.

2. Lawful & Purposeful Activity: It is a lawful activity & purpose of entrepreneurship is creation of value for personal profit & social gain.

3. Innovation: Entrepreneurship is creative in the sense that it involves creation of value by combining the various factors of production.

4. Organisation of Production: Entrepreneur mobilises business resources into a productive enterprise or firm.

5. Risk Taking: Individuals opting for a career in entrepreneurship take a bigger risk that involved in a career in employment or practice of a profession as there is no assured payoff.

NEED OF ENTREPRENEURSHIP DEVELOPMENT

1. Life Line of a Nation: Entrepreneurship is a yardstick to measure the development of any country as no country can prosper and grow without development of entrepreneurship.

2. Provides Innovation: Entrepreneur is an innovator who tries new methods of production, new technology, new ways of marketing etc. He develops new business ideas and puts them into action to enhance the process of economic development.

3. Growth of Economy: The changes adopted by entrepreneurs in enterprises bring changes in the society and economy.

4. Increased Profits: An entrepreneur always tries to minimise cost. He always tries to get optimum utilisation of resources. The reduction of cost and increase in efficiency always result in increase in profits.

5. Employment Opportunities: Entrepreneurship not only provides the scope for self employment but also offers employment to large number of people as in the case of successful enterprises.

6. Social Benefits: By setting up enterprises in backward areas, they try to bring balanced regional growth. By making optimum utilisation of resources, they save scarce resources of society.

PROCESS OF ENTREPRENEURSHIP DEVELOPMENT

1. Self-Discovery: Under this step, entrepreneur assesses what are his strengths and weaknesses, what all he enjoys doing and his work experience.

2. Identifying Opportunities: Under this step, he tries to find out the need, want and problems so that he can get an opportunity to overcome the problems and fulfil the need.

3. Generating & Evaluating Ideas: Through various measures such as discussion, brainstorming, creativity and his own experiences, he tries to develop new ideas to overcome problems and meet the expectations of customers.

4. Planning: Under this step, entrepreneur conducts research, makes business plan and strategies.

5. Raising Start Up Capital: By using business plan, entrepreneur tries to attract venture capitalist and partners.

6. Start Up: Under this step, the entrepreneur launches his enterprise and tries to develop more customers, He also makes changes as per changes in the environment.

7. Growth: Entrepreneur tries to expand and grow the enterprise.

8. Harvest: This means selling the business and harvesting the reward. Many entrepreneurs sell their existing business and start a new venture.

CONCEPT OF START UP INDIA SCHEME

As per the notification dated February 17, 2017, issued by the Ministry of Commerce and Industry, a start up means:

- (i) An entity incorporated or registered in India.
- (ii) Not older than five years.
- (iii) Annual turnover does not exceed ₹25 crore in any preceding year.
- (iv) Working towards innovation, development or commercialisation of products/service/ processes driven by technology or IPRs and patent.



WAYS TO FUND START UP

1. Boot Strapping: Commonly known as self financing, it is considered as the first funding option because by stretching out your personal savings and resources, you are tied to your business.

2. Crowd Funding: It is the pooling of resources by a group of people for a common goal.

3. Angel Investment: Angel investors are individuals with surplus cash who have keen interest to invest in upcoming start ups. They also offer advice alongside capital.

4. Venture Capital: There are professionally managed funds which are invested in companies that have huge potential. Venture capitalists provide expertise and mentorship.

5. Business Incubators and Accelerators: Early stage business can consider incubator and accelerator programmes as a funding option. Incubator is like a parent who nurtures the business (child), whereas, accelerator helps to run or take a giant leap in business.

6. Microfinance and NFBCs: Micro finance is basically access to financial services to those who either do not have access to conventional banking services or have not qualified for a bank loan. Similarly, NBFCs (Non Banking Financial Corporation) provides banking services without meeting legal requirement/definition of a bank.

CONCEPT OF INTELLECTUAL PROPERTY RIGHTS (IPRs)

Intellectual Property (IP) refers to the creations of the human mind, like inventions, literary and artistic works, symbols, names, images and designs used in business.



1. Copyright: Copyright is the right to "not copy". It is a right conferred upon the creators of literary, artistic, musical, sound recording and cinematographic film.

2. Trademark: A trademark is any word, name, or symbol (or their combination) that lets us identify the goods made by an individual, company, organization, etc. A competitor cannot use the same, or similar trademark to sell their product in the market.

3. Patent: A patent protects the scientific inventions which shows technical advancement over the already known products. A 'patent' is an exclusive right which prevents them from making, using, offering for sale, selling or importing the invention.

What is protected under Copyright?	
Literary work	Pamphlets, Brochures, Novels, Books, Poems, Song Lyrics, Computer Programme
Artistic work	Drawings, Paintings, Sculpture, Architectural Drawings, Technical Drawings, Maps, Logos
Dramatic work	Including Dance or Mime, Screenplay, Musical Work, Sound Recording, Cinetographic films

What cannot be patented?

Scientific principles, contrary to well established natural laws, formulation of abstract theory, frivolous inventions, prejudicial to morality or injurious to public health, method of agriculture or horticulture, method of treatment, admixtures, traditional knowledge, incremental inventions without increase in efficacy and inventions related to atomic energy are some of the inventions not patentable under Sections 3 & 4 of the Patents Act, 1970.

CONCEPT OF SMALL SCALE ENTERPRISES AS PER MSMED ACT, 2006

The definition used by the Government of India to describe MSMED is based on the investment in plant and machinery and turnover.

TYPE OF UNIT	INVESTMENT IN PLANT & MACHINERY	TURNOVER
Micro Enterprises	1 Crore	Does not exceed 5 Crore
Small Enterprises	10 Crore	Does not exceed 50 Crore
Medium Enterprises	50 Crore	Does not exceed 250 Crore

ROLE OF SMALL BUSINESS IN INDIA

1. Regional Growth: The contribution of small industries to the regional development is noteworthy. Small industries in India account for 95 per cent of the industrial units in the country.

2. Provides Employment: Small industries are the second largest employers of human resources, after agriculture. They are, therefore, considered to be more labour intensive and less capital intensive.

3. Balanced Development of Country: Small industries which produce simple products using simple technologies and depend on locally available resources both material and labour can be set up anywhere in the country. They, thus, contribute significantly to the balanced development of the country.

4. Provides Opportunity for Entrepreneurship: Small industries provide ample opportunity for entrepreneurship. The talents of people can be channelized into business ideas which can be converted into reality with little capital investment.

5. Quick Decision Making: Due to the small size of the organisations, quick and timely decisions can be taken. New business opportunities can be captured at the right time.

6. Low Cost of Production: Small industries also enjoy the advantage of low cost of production. Locally available resources are less expensive. Establishment and running costs of small industries are also on the lower side.

GOVERNMENT SCHEMES & AGENCIES FOR SMALL SCALE INDUSTRIES

1. National Small Industries Corporation (NSIC)

National Small Industries Corporation was set up in 1955 with a view to promote, aid and foster the growth of small business units in the country.

This focuses on the commercial aspects of these functions.

- (i) Supply indigenous and imported machines on easy hire-purchase terms.
- (ii) Procure, supply & distribute indigenous & imported raw materials.
- (iii) Export the products of small business units and develop export-worthiness.
- (iv) Mentoring and advisory services.
- (a) Serve as technology business Incubators.
- (b) Creating awareness on technological upgradation.
- (c) Developing software technology parks and technology transfer centres.

2. The District Industries Centers (DICs)

The District Industries Center was launched on 1 May 1978, with a view to providing an integrated administrative framework at the district level, which would look at the problems of industrialisation in the district, in a composite manner. Identification of suitable schemes, preparation of feasibility reports, arranging for credit, machinery and equipment, provision of raw materials and other extension services are the main activities undertaken by these centers.

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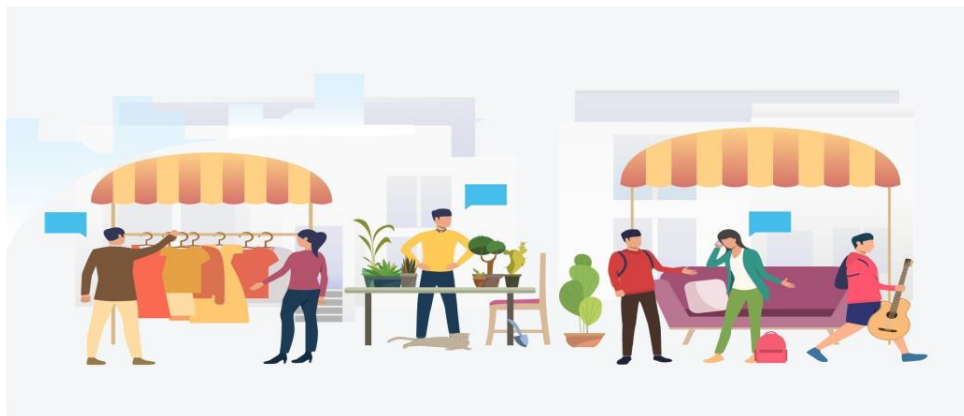
SELF ASSESSMENT:

- Q. 1 In which year was the MSMED Act passed? 1
- Q. 2 What is the micro enterprise? 1
- Q. 3 MSMED & Entrepreneurship are connected. Do you agree? Give two reasons. 3
- Q. 4 Innovation is integral to MSMED. Discuss giving reasons to your answer. 4
- Q. 5 Government of developed countries encourage many people to start small scale industries in rural and under developed areas, so that these areas can be developed and people of these areas can get employment and their economic conditions can improve.
- (a) State the benefit of SSI referred in above case.
- (b) State any five benefits of SSI. 6

-----**END OF CHAPTER**-----

CHAPTER - 9

INTERNAL TRADE

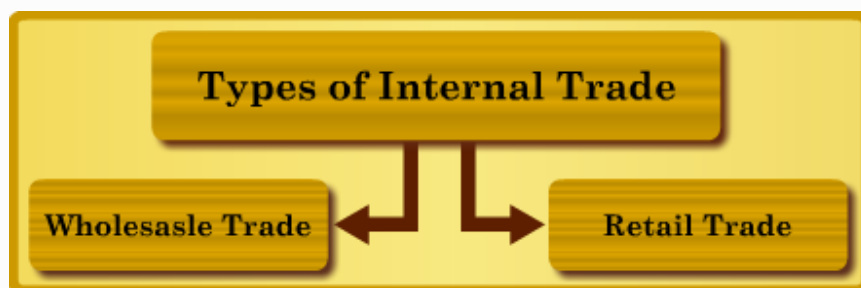


LEARNING OBJECTIVES

- Meaning & types of internal trade
- Appreciate services of wholesalers & retailers
- Types of retail trade
- Concept of departmental store, chain store & mail order business
- Concept of GST

MEANING OF INTERNAL TRADE

When buying and selling of goods and services takes place within the geographical limits of a country. It is known as internal trade.



TYPES OF INTERNAL TRADE

1. Wholesale Trade: It refers to the trade in which goods are sold in large quantities. The person who carries on wholesale trade is known as wholesaler.

2. Retail Trade: Retail trade refers to sale of goods in small lots to the final consumers. A retailer buys goods from a wholesaler and sells them to the consumer.

SERVICES OF WHOLESALERS

1. Services to Manufacturer

(i) Facilitating large scale production: the producers to undertake production on a large scale and take advantage of the economies of scale.

(ii) Bearing risk: they bear variety of risks such as the risk of fall in prices, theft, pilferage, spoilage, fire, etc.

(iii) Financial assistance: provide financial assistance to the manufacturers in the sense that they generally make cash payment for the goods

(iv) Expert advice: advice the manufacturers about various aspects including customer's tastes and preferences, market conditions,

(v) Facilitate production continuity : facilitate continuity of production activity throughout the year by purchasing the goods as and when these are produced

2. Services to Retailer

- **Availability of goods:** maintain adequate stock of varied commodities so that they can offer variety to their customers.
- **Marketing support:** undertake advertising and other sales promotional activities to induce customers to purchase the goods.
- **Grant of credit:** extend credit facilities to their regular customers
- **Specialised knowledge:** inform the retailers about the new products, their uses, quality, prices, etc.
- **Risk sharing:** retailers are in a position to avoid the risk of storage, pilferage, obsolescence, reduction in prices and demand fluctuations etc

SERVICES OF RETAILERS

1. Services to Consumer

(i) Regular availability of products: maintain regular availability of various products produced by different manufacturers.

(ii) New products information: effective display of products and through their personal selling efforts, retailers provide important information about the arrival, special features, etc.

(iii) Convenience in buying: offers great convenience to the customers in buying products of their requirements.

(iv) Wide selection: enables the consumers to make their choice out of a wide selection of goods.

(v) **After-sales services:** provide important after-sales services in the form of home delivery, supply of spare parts and attending to customers

2. Services to Wholesaler and Manufacturer

(i) **Help in distribution of goods:** provide help in the distribution of their products by making these available to the final consumers

(ii) **Personal selling:** enables to sale personally to individual customer

(iii) **Enabling large-scale operations:** enables them to operate on, at relatively large scale

(iv) **Collecting market information:** serve as an important source of collecting market information about the tastes, preferences and attitudes of customers

(v) **Help in promotion:** advertise their products and offer short-term incentives in the form of coupons, free gifts, sales contests

TYPES OF RETAILERS

1. Itinerant Retailers: Itinerants refer to retailers who have no fixed place of sale. They move from one place to another in search of customers. These are hawkers & peddlers, periodic market traders, street traders & cheap jacks.

2. Fixed Retailers: The retailer having a fixed place of sale are known as fixed shop retailers. Fixed shop retailers can be further classified into two categories:

(i) **Small scale fixed retail shops-** general store, single line store, specialty store, street shops, second hand goods shop, seconds shops.

(ii) **Large scale fixed retail shops-** departmental store, chain store, mail order business

DEPARTMENTAL STORE



A departmental store is a large retail showroom having a number of departments under one roof each department specialised in one line of product.

FEATURES

1. provide all facilities such as restaurant, travel and information bureau, telephone booth, rest-rooms, etc.
2. Located at a central place in the heart of a city.
3. Formed as a joint stock company managed by a board of directors.
4. Combines both the functions of retailing as well as warehousing .
5. Centralised purchasing arrangements.

MULTIPLE SHOPS



Multiple shops refer to a number of identical retail shops located in different parts of the city.

FEATURES

1. Shops are located in fairly populous localities, where sufficient number of customers can be approached.
2. All the retail units is centralised at the head office, from where the goods are despatched to each of these shops.
3. Concerned with formulating the policies and getting them implemented.
4. Prices of goods in such shops are fixed and all sales are made on cash basis.
5. Concerned with day-to-day supervision of the shops.

MEANING OF MAIL ORDER BUSINESS

In mail order retailing seller contact the potential buyers through advertisements and mail publicity.

FEATURES

1. Sell their merchandise through mail, without any direct personal contact with the buyers.
2. Limited capital requirements , doesnot require heavy capital.
3. Elimination of middlemen: no intermediaries persons
4. Wide reach: can purchase from anywhere.
5. Convenience: provide services for all time

MEANING OF GOODS & SERVICES TAX (GST)

Goods and Services Tax (GST) meaning an overview

Goods and Services Tax (GST) is an indirect tax levied in India on the sale of all types of goods and services Except Petroleum products and Alcoholic drinks.

Tutor's Tips



Sale of all types of goods and services



Goods and Services Tax

GST is a destination-based single tax on the supply of goods and services from the manufacturer to the consumer, and has replaced multiple indirect taxes levied by the Central and the State governments, thereby, converting the country into a unified market.

FEATURES OF GST

1. The territorial spread of GST is the whole country, including Jammu and Kashmir.
2. GST is applicable on the 'supply' of goods or services
3. It is based on the principle of destination-based consumption tax
4. Import of goods and services is treated as inter-State supplies and would be subject to IGST in addition to the applicable customs duties.
5. CGST, SGST and IGST are levied at rates mutually agreed upon by the Centre and the States
6. There are four tax slabs namely 5 per cent, 12 per cent, 18 per cent and 28 per cent for all goods or services.

7. Exports and supplies to SEZ are zero-rated.
8. Various modes of payment of tax available to the taxpayer, including Internet banking, debit/credit card and National Electronic Funds Transfer (NEFT)/Real Time Gross Settlement (RTGS)

USEFUL LINKS

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SELF-ASSESSMENT

1. What is meant by internal trade?
2. Specify the characteristics of fixed shop retailers.
3. What are the services offered by retailers to wholesalers and consumers?
4. Discuss the features of a departmental store. How are they different from multiple shops or chain stores.
5. Explain the usefulness of mail orders houses. What type of products are generally handled by them? Specify.

-----**END OF CHAPTER**-----

CHAPTER – 10

INTERNATIONAL TRADE

LEARNING OBJECTIVES:

- *Concept of International Trade*
- *Benefits of International Trade*
- *Meaning & Objectives of Export Trade*
- *Process of Export Trade*
- *Meaning & Objectives of Import Trade*
- *Process of Import Trade*
- *Meaning, Importance & Specimen of Documents used in International Trade*
- *Meaning & Objectives of WTO*

MEANING OF INTERNATIONAL TRADE:

The buying and selling of goods and services beyond the geographical limits of the country is known as International Trade.

BENEFITS OF INTERNATIONAL BUSINESS

(A) BENEFITS TO COUNTRIES:

- Earning of foreign exchange:** International trade helps a country to earn foreign exchange which it can later use for meeting its imports.
- More efficient use of resources:** International trade operates on a simple principle — produce what your country can produce more efficiently, and trade the surplus production so generated with other countries to procure what they can produce more efficiently. It benefits all the trading nations.
- Improving growth prospects and employment potentials:** Producing solely for the purposes of domestic consumption severely restricts a country's prospects for growth and employment.

- (iv) **Increased standard of living:** With international trade, the world community consumes goods and services produced in other countries and enjoy a higher standard of living.

(B) BENEFITS TO FIRMS:

- (i) **Prospects for higher profits:** International trade can be more profitable than the domestic business.
- (ii) **Increased capacity utilisation:** Many firms setup production capacities for their products which are in excess of demand in the domestic market. By planning overseas expansion and procuring orders from foreign customers, they can think of making use of their surplus production capacities.
- (iii) **Prospects for growth:** Business firms can considerably improve prospects of their growth by plunging into overseas markets.
- (iv) **Way out to intense competition in domestic market:** When competition in the domestic market is very intense, international market seems to be the only way to achieve significant growth.

MEANING OF IMPORT TRADE

Buying of goods and services from foreign countries is called import trade.

OBJECTIVES OF IMPORT TRADE

- i. Meeting consumer demand
- ii. Improving standard of living of people
- iii. Speeding up industrialization process

IMPORT PROCEDURE

1. Trade Enquiry
2. Procurement of import license
3. Obtaining foreign exchange

4. Placing order or indent
5. Obtaining letter of credit
6. Arranging of finance
7. Receipt of shipment advice
8. Retirement of import documents
9. Arrival of goods
10. Custom clearance & release of goods

MEANING OF EXPORT TRADE

Selling of goods and services to foreign countries is called export trade.

OBJECTIVES OF EXPORT TRADE

- (i) Selling Surplus goods
- (ii) Earning foreign exchange
- (iii) Increasing employment
- (iv) Increasing Government revenue

EXPORT PROCEDURE

1. Receipt of enquiry & sending quotations
2. Receipt of order or indent
3. Assessing importer's creditworthiness & securing guarantee for payment
4. Obtaining export license
5. Obtaining pre shipment finance
6. Production or procurement of goods

7. Pre shipment inspection
8. Excise clearance
9. Obtaining certificate of origin
10. Reservation of shipping space
11. Packing & forwarding
12. Insurance of goods
13. Custom clearance
14. Obtaining Mate's receipt
15. Payment of freight & issuance of bill of lading
16. Preparation of invoice & securing payment

DOCUMENTS USED IN INTERNATIONAL TRADE

1. INDENT: After obtaining the required foreign exchange, the importer places the order for the goods to be imported. This order is known as the 'Indent'. Indent is important because it confirms the order placed by the importer to the exporter.

2. LETTER OF CREDIT: It is a guarantee issued by the importer's Bank that it will honor payment up to a certain amount of export bills to the bank of the exporter. It is important if both the importer and the exporter have not conducted any transaction between them earlier.

3. SHIPPING ORDER: Shipping order is an instruction to the captain of the ship to receive the specified goods on board after clearance from customs. It is important because it confirms the availability of space in ship.

4. SHIPPING BILL: It is the main document on the basis of which customs office grants permission for the export. It contains details regarding goods to be exported, exporter's name and address, etc. It is important for getting custom clearance as goods cannot be exported without it.

5. MATE'S RECEIPT: It is issued by the commanding officer of the ship to the exporter after the cargo is loaded on the ship. It contains details like name of the vessel, berth, date of shipment, description of packages, marks and numbers etc. It is very important receipt as shipping company issues the bill of lading only after getting this receipt.

Specimen of Indent

Raja Manufacturer
12 Darya Ganj
New Delhi 110002
28-12-2022

To
Fernell & Co
24, North Avenue

New York
Thanks for sending your quotation.
Kindly supply the following goods to us:

Name of item	Quantity	Price per unit	Period of Delivery	Mode of Shipment	Mode of Payment
Sewing Machine	20	US \$ 20 CIF	2 Months	By Ship	Letter of Credit

Raja Manufacturer
Sd/-

Specimen of Letter of Credit

From Bank of India
Darya Ganj Branch
New Delhi- 110002

To Bank of London
462, Park Avenue
London
L/C No.
Date of issue of L/C: 25/12022

Applicant
Raja Manufacutrer
12, Darya Ganj
New Delhi-110002

Beneficiary
Fernell & Co.

24, North Avenue
New York
Amount US \$ 4,000

Shipment from New York
Shipment to Mumbai

Documents required:-

1. Beneficiary's Commercial Invoice
2. Bill of Lading
3. Pre-shipment Inspection Receipt
4. Beneficiary's packing List
5. Certificate of origin

Period of presentation: within 15 days from date of Bill of Lading.

Specimen of Shipping Order

Vessel: Name of the Vessel

The commanding Office

Please receive on board from M/s XYZ Co who have contracted to ship goods mentioned hereunder :

Mark	No. f packages	Description of goods	Gross weight	Measurement
Red Co	3	SZM Machine	500	7 ft x 4 ft

Specimen of Shipping Bill

Name of Applicant
Best Cow Company
21, Cross Road
Shillong

Loading Port: Kolkata

Destination Port: Gulf

Name of the Ship: Abha Akash Description of Goods: Milk Powder

Value: 50,00,000 Identification Mark: RK Co

Sd/-

Authorised Signatory

Specimen of Mate's Receipt

Shipping Corporation of India Ltd Dated: March: 31, 2022

Received goods in good order and condition on board the Abha Akash for delivery at Gulf Port subject to conditions of Bill of Lading of this line.

Mark	Quantity	Goods	Remarks
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RK Co	500 cases of 100 Kg each	MILK Powder	
Name of the Shipper: Best Cow Company		For Shipping Corporation of India Ltd. Sd/-	

WORLD TRADE ORGANISATION (WTO)

It was established on 1st January 1995 to replace GATT , which remained in force from 1948 to 1994. It's headquarter is situated at Geneva in Switzerland. India is a founding member of WTO.

OBJECTIVES OF WTO

- i. To ensure reduction of tariffs and other trade barriers imposed by different countries.
- ii. To improve standards of living, create employment, increase income and effective and effective demand and facilitate higher production and trade.
- iii. To facilitate optimum use of world's resources for sustainable development.
- iv. To promote an integrated, more viable and durable trading system.

USEFUL LINKS

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SELF ASSESSMENT

1. This certificate specifies the origin of goods exported. Name the document. (1)
2. This document is issued by the commanding officer of the ship to the exporter after the cargo is loaded on the ship. Identify the document. (1)
3. This document is prepared by shipping company to acknowledge the receipt of goods on ship and gives an undertaking to carry them to port of destination. Name the document. (1)
4. This document is the most appropriate and secure method of payment to settle international transactions. Name the document. (1)
5. On the basis of this document, customs office grants permission for the export. Identify the document. (1)

6. This document is prepared by the importer and it shows the details of goods imported and is used by custom authorities to determine import duty. State the name of the document. (1)
7. On the basis of this document, imported goods are unloaded from the carrier. Write the name of the document. (1)
8. What is meant by Bill of Lading? Explain the contents. Of it. (3)
9. Explain the content and purpose of Bill of Entry.
10. Describe the role of WTO. (4)
11. What is meant by pre shipment finance? (4)
12. List the major countries with whom India trades. (4)
13. Explain the meaning of the following documents used in connection with import transactions: i) Trade Enquiry ii) Import License iii) Shipment advice (5)
14. Trendz industries have received an export order of 5,000 kids jeans from walmart store, USA. What procedure you will follow to execute this export order? (6)

-----**END OF CHAPTER**-----