

UNIT I - BUSINESS ENVIRONMENT

1. What do you mean by business?

All human activities relating to the production of goods and services for satisfying human wants are called 'Business' Human activities are of two kinds (i) Economic (ii) Non-Economic.

Economic activities are those activities which are related to the production of wealth. Every person is engaged in some kind of work to earn his living. All these activities create utilities.

Non economic activities are those activities which are in the form of social service etc.

2. Define business.

According to L.H.Haney, "Business may be defined as human activity directed towards producing or acquiring wealth through buying and selling of goods."

According to Peterson and Plowman, 'Business may be defined as an activity in which different persons exchange something of value , whether goods or services for mutual gain or profit'

3. State the Objectives of business.

The Objectives of business are classified into three types

- (i) Economic objectives
- (ii) Social objectives
- (iii) Human objectives

(i) Economic objectives

The initial main objective of a business is the earning of sufficient profits to give reasonable reward to the investors of the capital and to provide future capital. In other words, business enterprise is brought into existence only with a view to earn profit.

(ii) Social objectives

The business must provide to the society:

- i) Good quality products at the lowest possible price.
- ii) Setting up and keeping standards of quality of goods and services.
- iii) Control on monopoly tendencies.
- iv) Fair trade practices.

(iii) Human objectives

The business owes to the workers to provide them:

- i) Fair wages.
- ii) Healthy working conditions
- iii) Social protection
- iv) Adequate opportunity for collective bargaining.
- v) Stability of employment.

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4. Explain the term Trade and Industry

Basis of Difference	Trade	Industry
Meaning	Trade is that branch of commerce which deals with exchange or transfer of goods and services	Industry is concerned with raising, producing, processing or fabrication of goods and services.
Origin	The origin and development of Trade is the result of the prevalence of barter system	The origin of industries is the result of industrial revolution in the 18 th century
Scope	It includes sale and purchase of products only	It includes (i) Extractive industries (ii) Genetic industries. (iii) Manufacturing industries. (iv) Constructive industries.
Amount of capital	In trade small amount of capital is required	Large amount of capital is required for the establishment of an industry.
Risk	The element of risk is also there in trade	The higher risk is there in the industry

5. What do you mean by Trade?

Trade is the voluntary exchange of goods, services, or both. Trade is also called commerce or transaction. A mechanism that allows trade is called a market. The original form of trade was barter, the direct exchange of goods and services. Later one side of the barter were the metals, precious metals (poles, coins), bill, paper money. Modern traders instead generally negotiate through a medium of exchange, such as money. As a result, buying can be separated from selling, or earning. The invention of money (and later credit, paper money and non-physical money) greatly simplified and promoted trade. Trade between two traders is called bilateral trade, while trade between more than two traders is called multilateral trade.

6. What is internal trade or Domestic trade or Home trade?

Buying and selling of goods and services within the boundaries of a nation are referred to as internal trade. Whether the products are purchased from a neighborhood shop in a locality or a central market or a departmental store all these would be considered to be examples of internal trade.

7. What are the Types of internal trade?

Internal trade can be classified into two broad categories viz,
(i) Whole sale trade: This trade relates to the purchase of goods in large quantities from producers and their sale to retailers in small lots.
(ii) Retail trade: This is the last link in the economic chain where the human wants are satisfied. The retailers keep his goods at convenient place where from the supplies to the consumers.

8. What is foreign trade or External trade?

Foreign trade means trading goods and services that are destined for a country other than their country of origin. Foreign trade can also be investing in foreign securities, though this is a less common use of the term.

Foreign trade is all about imports and exports. The backbone of any foreign trade between nations are those products and services which are being traded to some other location outside a particular country's borders. There are a number of issues with imports and exports that must be taken into consideration when conducting foreign trade. For example, some countries have industries they may want to protect. These industries may be in competition with foreign companies for the opportunity to sell products domestically. To protect domestic trade, countries may institute tariffs, which are taxes on certain foreign goods. While this is a way to generate revenue, its real value lies in helping those domestic companies.

9. What is commerce?

'Commerce in broader sense comprises of all those activities which are concerned with distributions of goods and services so that they may reach the consumers with a minimum inconvenience'

Commerce is defined as the process of buying and selling all those activities which facilitate Trade, such as storing, grading, packaging, financing, Insuring, and transporting.

The principle function of commerce is to remove the hindrance that come in flourishing of trade.

10. What Does *Balance Of Trade - BOT* Mean?

The difference between a country's imports and its exports. Balance of trade is the largest component of a country's balance of payments. Debit items include imports, foreign aid, domestic spending abroad and domestic investments abroad. Credit items include exports, foreign spending in the domestic economy and foreign investments in the domestic economy. A country has a trade deficit if it imports more than it exports; the opposite scenario is a trade surplus.

11. What do you mean by Balance of Payment?

The balance of payments (BOP) is the method countries use to monitor all international monetary transactions at a specific period of time. Usually, the BOP is calculated every quarter and every calendar year. All trades conducted by both the private and public sectors are accounted for in the BOP in order to determine how much money is going in and out of a country. If a country has received money, this is known as a credit, and, if a country has paid or given money, the transaction is counted as a debit. Theoretically, the BOP should be zero, meaning that assets (credits) and liabilities (debits) should balance. But in practice this is rarely the case and, thus, the BOP can tell the observer if a country has a deficit or a surplus and from which part of the economy the discrepancies are stemming.

12. What do you mean by opportunity cost?

Opportunity cost is one way to measure the cost of something. Rather than merely identifying and adding the costs of a project, one may also identify the next best alternative way to spend the same amount of money. The forgone profit of this *next best alternative* is the opportunity cost of the original choice. A common example is a farmer that chooses to farm his land rather than rent it to neighbors, wherein the opportunity cost is the forgone profit from renting. In this case, the farmer may expect to generate more profit himself. Similarly, the opportunity cost of attending university is the lost wages a student could have earned in the workforce, rather than the cost of tuition, books, and other requisite items (whose sum makes up the total cost of attendance). The opportunity cost of a vacation in the Bahamas might be the down payment money for a house.

The opportunity cost of an alternative is the return that will be foregone by not investing the same money in another alternative.

13. What are the Elements of Economic Environment?

- #1. Monetary policy.
- # 2. Fiscal policy
- # 3. Physical policy
- # 4. Resources endowment.

14. What are the Elements of Non - Economic Environment?

- #1. Legal Environment.
- # 2. Political Environment
- # 3. Historical Environment
- # 4. Social Environment
- #5. Educational and cultural Environment.

15. What are the elements or characteristics of business?

1. Element of enterprise.
2. Element of exchange of goods and services.
3. Profit motive.
4. Element of risk and uncertainty
5. Economic activities
6. Element of creation of utilities.
7. Element of continuity of transactions.

16. What is wholesale trade?

This trade relates to the purchase of goods in large quantities from producers and their resale to retailers in small lots. It serves as a link between the manufactures or producers and the retailers who sell them to the ultimate consumers.

17. What do you mean by retail trade?

This is the last link in the economic chain where the human wants are satisfied. The retailer keeps his goods at convenient place where from he supplies to the consumers. The retail is the end or the tail of business where the circle of the industry is completed.

18. What is External trade or foreign trade?

This relates to the buying and selling of goods to traders outside the country. It involves the exchange of goods and services between the citizens of two nations. For example, India's trade with Russia, USA, France, and Japan is called foreign trade.

19. What is Import trade?

It refers to the purchase of goods from a foreign country. Countries import goods which are not produced by them either because of cost disadvantage or because of physical difficulties so as to meet their needs and requirements.

20. What is Export trade?

It refers to sale of goods to a foreign country. In other words, when goods are sold and sent out to other countries, it is called export trade.

21. What is entrepot trade?

Sometimes goods are purchased or imported from one country with the objective of selling or exporting them to some other countries; it is known as entrepot trade.

22. What is local trade?

When the demand for the product is limited only to particular place, it is called 'Local Trade'. The seller and buyer belong to the same place. The goods, in which trading is made are of daily use and are of perishable nature. The goods are vegetables, bread, milk etc.

23. What is Provincial or state trade?

The trade which is limited to the boundaries of the state is called 'Provincial' or "State Trade". The goods traded are of durable nature. Sometimes, goods are produced according to the requirements of a particular region of state.

24. What is Inter-State trade?

This relates to the buying and selling of goods to traders throughout the country but within the national boundaries. The goods traded are of durable nature and can be kept in the go downs for a long period and meet future demands. These goods are textiles, iron, steel, etc.

25. What do you mean by Business ethics?

Business ethics (also known as corporate ethics) is a form of applied ethics or professional ethics that examines ethical principles and moral or ethical problems that arise in a business environment. It applies to all aspects of business conduct and is relevant to the conduct of individuals and business organizations as a whole. Applied ethics is a field of ethics that deals with ethical questions in many fields such as medical, technical, legal and business ethics.

Business ethics can be both a normative and a descriptive discipline

26. Explain Trade gap.

The balance of trade (or *net exports*, sometimes symbolized as *NX*) is the difference between the monetary value of exports and imports of output in an economy over a certain period. It is the relationship between a nation's imports and exports. A positive or favorable balance of trade is known as a trade surplus if it consists of exporting more than is imported; a negative or unfavorable balance is referred to as a trade deficit or, informally, a **trade gap**.

Trade gap - the difference in value over a period of time of a country's imports and exports of merchandise; "a nation's balance of trade is favorable when its exports exceed its imports"

27. What is Trade protectionism?

Trade protection - the imposition of duties or quotas on imports in order to protect domestic industry against foreign competition. **Protectionism** is the economic policy of restraining trade between states, through methods such as tariffs on imported goods, restrictive quotas, and a variety of other government regulations designed to discourage imports, and prevent foreign take-over of native markets and companies. This policy is closely aligned with anti-globalization, and contrasts with free trade, where government barriers to trade and movement of capital are kept to a minimum. The term is mostly used in the context of economics, where **protectionism** refers to policies or doctrines which protect businesses and workers within a country by restricting or regulating trade with foreign nations.

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16- MARK QUESTIONS

1. What do you mean by business? Give the characteristics of business.
2. Give the classification of various kinds of business activities.
3. What do you mean by industry? In how many types would you classify it?
4. What is commerce? Is there difference between 'Trade' and 'commerce'? Explain the main division of Trade
5. What is internal trade? What are the different types of internal trade?
6. Neatly classify the different types of business activities in detail.
7. What is meant by business environment? What are the factors influence the environment of business?
8. Explain the term "social responsibility of business? How far is this responsibility accepted and carried out in india?
9. Discuss in brief the nature of the basic economic problems.
10. What are the "central problems" of an economy?
11. What is a business cycle? Describe its different phases and suggest measures to control it.
12. What do you mean by business and what are the objectives of business.
13. What are essential characteristics or elements of business?
14. Explain the role and methods of trade protectionism.

UNIT II - BUSINESS STRUCTURE AND ORGANIZATION

2- MARK QUESTIONS AND ANSWERS

1. What are the various forms of business organization?

1. Sole Proprietorship
2. Joint Hindu Family Firm
3. Partnership Firm
4. Joint Stock Company
5. Co-operative Society

2. What do you mean by Sole Proprietorship?

A sole proprietorship or one man's business is a form of business organization owned and managed by a single person. He is entitled to receive all the profits and bears all risk of ownership.

3. What do you mean by Joint Hindu Family Firm?

The Joint Hindu Family, also known as Hindu Undivided Family (HUF) is a non-corporate form of business organization. It is a firm belonging to a Joint Hindu Family. It comes into existence by the operations of law and not out of contract.

4. What do you mean by Partnership Firm?

Partnership is an association of two or more individuals who agree to carry on business together for the purpose of earning and sharing of profits. However a formal definition is provided by the Partnership Act of 1932.

5. What do you mean by Joint Stock Company?

A company is an association of persons formed for common object. A company is a voluntary associations recognized by law , having distinctive name common seal , formed to carry on business for profit , with capital divisible into shares , limited liability, a corporate body and perpetual succession.

6. What do you mean by Co-operative Society?

The co-operative form of business organization is a democratic set up run by its members for serving the interest of them. It is self –help through mutual help. The philosophy behind co-operative movement is “Each for all and all for each”.

7. State the characteristics of sole proprietorship.

- (i) Sole Proprietorship: He invests his own capital and controls the whole business.
- (ii) Free from legal formalities: A sole trade business is not expected to meet any legal requirements unless licence is required under law.
- (iii) Unlimited liability: His private property is also liable for the business obligations.
- (iv) Sole management: He prepares the plan and executes them under his own supervision.
- (v) Secrecy: He is in a position to keep his affairs to himself and maintain perfect secrecy in all matters.

8. What are the advantages of sole proprietorship?

- (i) Easy formation.
- (ii) Perfect control.
- (iii) Flexibility in operation
- (iv) Direct motivation.
- (v) Maintenance of secrecy.
- (vi) Catering for individual tastes.

9. What are the disadvantages of sole proprietorship?

- (i) Limited capital
- (ii) Limited managerial ability.
- (iii) Unlimited liability.
- (iv) Uncertainty of continuity.
- (v) Hasty decision.
- (vi) No large scale economies.

10. Define sole proprietorship.

According to L.H.Haney, "The individual entrepreneurship is the form of business organization at the head of which stands an individual who is responsible, who directs its operations and who runs the risk of failure."

According to James Stephenson, 'A sole trader is a person who carries on business exclusively by and for himself.'

11. Define partnership.

According to L.H.Haney, "Partnership is an agreement between persons having contractual capacity to carry on a business in common with a view to private gain'.

According to section 2 of Indian Partnership Act of 1932, "Partnership is the relationship between persons who have agreed to share the profits of a business carried by all or any one of them acting for all.'

12. What is the need of partnership?

The need of partnership arose from the limitations of sole proprietorship. In other words, Partnership came into existence because of the limitation of sole proprietorship. When business activities started expanding, the need for more funds arose. So, more persons were associated to form groups to carry on business and consequently partnership form of organization came into existence.

13. Discuss the advantages of partnership?

- (i) Easy formation.
- (ii) Large resources.
- (iii) Combined skill and balanced judgment.
- (iv) Flexibility
- (v) Sharing of risk.
- (vi) Maintenance of secrecy.
- (vii) Prompt decisions..

14. Discuss the disadvantages of partnership?

- (I) Lack of harmony.
- (ii) Limited resources.
- (iii) Instability.
- (iv) Lack of public faith.
- (v) Restricted Enterprise.
- (vi) Restriction on transfer of interest.
- (vii) Liability after Retirement.

15. What is partnership deed?

The partnerships come into existence by an agreement. The agreement may be written or oral. But it is advisable that a partnership agreement or partnership Deed is drawn up and signed by partners. When the partnership agreement is written and signed by all partners, it is called Partnership deed or Articles of partnership.

16. Discuss the rights of a partner?

1. Every partner has the right to participate in the conduct and management of the business.
2. Every partner has the right to have access to and to inspect and copy any of the books of accounts of the partnership firm.
3. Every partner has the right to be consulted and heard in all matters affecting the business of the firm.
4. The partners have the right to share equally in the profits earned and shall contribute equally to the losses sustained by the partnership.

17. Discuss the duties of a partner?

1. Partners are bound to carry on the business of the firm to the greatest common advantage.
2. Every partner is liable to the partnership firm for losses caused to it by his willful neglect in the conduct of business of the firm.
3. A partner is not entitled to get any remuneration for taking part in the conduct of business.
4. No partner can assign or transfer his partnership interest to any other person so as to make him partner in the partnership.

18. What is Joint Stock Company?

“Company” is an association of persons formed for common object. A company is a voluntary association of persons recognized by law, having a distinctive name and common seal, formed to carry on business for profit, with capital divisible into transferable shares, limited liability, a corporate body and perpetual succession.

19. Distinguish between Partnership and Sole trade:

S.NO	Basis of Difference	Partnership	Sole Trade
1	Act	Partnership is formed under Indian partnership Act, 1932	There is no separate Act for sole trade ship.
2	Number of Members	In Partnership, Minimum Number Of Members Is Two And Maximum Is 20 And 10 For Banking Business.	The Sole trade ship is owned and controlled by an individual.
3	Capital	In partnership , capital is contributed by all the partners	In sole trade ship , capital is contributed by the owner only.

20 .What is Private Company?

According to sec 3 (l) (iii) of the Indian companies act, 1956, a private company is that company which by its articles of association:

- (i) Limits the members to fifty, excluding employees who are members or ex-employees who were and continue to be members.
- (ii) Restricts the right of transfer of shares.
- (iii) Prohibits any invitation to the public to subscribe for any shares to debenture of the company. According to sec.12 of the companies Act, the minimum number of members to form a private company is two. A private company must use the word "Pvt" after its name.

21. What is Public company?

According to sec 3 (l) (iv) of the Indian companies act, 1956, a Public company means a company which is not private company.

- (i) The articles do not restrict the transfer of shares of the company.
- (ii) It imposes no restriction on the maximum number of the members in the company.
- (iii) It invites the general public to purchase the shares and debentures of the company.

22 .What do you understand "holding company" and "subsidiary company".

1. Holding Company:

According to sec 4 (4) of the companies act 1956."A company shall be deemed to be the holding company of another, if that other is its subsidiary."

2. Subsidiary company:

A company is said to be a subsidiary of another if

- (i) The other company controls the composition of its board of directors.
- (ii) The other company holds more than half in nominal value of its equity share capital.
- (iii) It is a subsidiary of such a company which is itself subsidiary of any other company.

23. Distinguish between Private Company and Public company:

S.NO	Basis of Difference	Private company	Public company
1	Minimum members	The minimum number of persons required to form a private company is two	The minimum number of persons required to form a public company is seven
2	Maximum members	The maximum number of members in a private company is fifty.	In public company, there is no restriction on the maximum number of members.
3	Transfer of shares	In private company, the right to transfer shares is restricted by its articles.	In case of a public company, shares are freely transferable.

24. Discuss the special features of co-operative form of organization.

1. It is a voluntary association. There can be no use of force in it.
2. This form of organization is basically a democratic set up., in which all decisions are taken on democratic lines and principles.
3. Another important characteristic of co-operative form of organization is that all members are treated as equal.

25. What are the various forms of co-operative organizations?

- I) Co- operative societies.
 1. Agricultural credit societies.
 2. Non- agricultural credit societies
- II) Consumer co-operative societies.

26. What is organization chart?

Organization chart portrays graphically the structural relationship among the different functions (departments) and the (positions) in the enterprise who are responsible for those functions. Organization chart shows- how the dynamic activities of a concern are coordinated into a working unit.

16- MARK QUESTIONS

1. What considerations should a business keep in mind while selecting a form of business organization?
 2. Define sole proprietorship. And explain its advantages and disadvantages.
 3. What do you mean by sole proprietorship? And what are its characteristics.
 4. Define partnership? What are the essential elements of partnership?
 5. Discuss the advantages and disadvantages of partnership.
 6. What is a Partnership deed? Discuss its main contents. State the rules to be followed in the absence of a partnership deed?
 7. What is a joint stock company? Point out salient features.
 8. What is company? What kinds of companies can be formed under the Indian companies Act?
 9. What are the different types of companies? Distinguish between private company and public company.
 10. What do you understand by Co-operative organization? Discuss the special features of co-operative form of business.
 11. State the points of dissimilarities between a co-operative society and company.
 12. What are the different forms of co-operative societies?
 13. Explain the role of government in business activity.
 14. What is organization chart and explain its advantages and limitations.
 15. Explain the different forms of organization in detail.
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UNIT III - ELEMENTS OF BUSINESS ACTIVITY

2- MARK QUESTIONS AND ANSWERS

1. What is purchasing function?

The purchasing function is a liaison agency which operates between the factory organization and the outside vendors on all matters of procurement.

Purchasing implies – procuring raw materials, supplies, machinery and services needed for production and maintenance of the concern.

2. What are the objectives of purchasing department?

- 1) To procure right raw material.
- 2) To procure materials in right quantities.
- 3) To procure materials in right quality.
- 4) To procure from right and reliable sources or vendor.
- 5) To procure materials economically.
- 6) To receive and deliver materials at
 - Right place and at
 - Right time.

The purchasing department has to perform certain activities, duties and functions in order to achieve the above mentioned objectives.

3. What do you mean by production?

Production means conversion of raw materials into finished products with the help of certain processes. The main purpose of any production system is to produce desired goods and services effectively and efficiently.

In order to achieve this purpose, it is essential to plan, organize, direct and control the production system which is the task of production management.

4. What do you mean by production management?

Production management ensures the conversion of various inputs and outputs which will, satisfy the wants of the customers. The difference between the value of the inputs and the value of the outputs represents the contribution of the production system. Any production system must try to maximize the contribution of the value added to the inputs.

Production management involves planning, organizing, directing and controlling the activities relating to the production function.

5. What are two major phases of production management?

Since production is a technical – managerial activity, the production manager should have both the technical and managerial qualifications and skills. That is why, generally, technical personnel with managerial skills, are appointed as production managers.

Production management can be classified into major phases:

- (i) Managerial function regarding the design of the production system; and
- (ii) Operation and control of the production system, i.e., Production planning and control.

6. Explain the job production system?

Job or unit production involves the manufacturing of a single complete unit as per the customer's order. This is a 'special order' type of production. Each job or product is different from others and no repetition is involved. The work is started only when the organization has orders on hand.

According to regularity of manufacture, there are here types of job production:

- 1) A small number of pieces produced once.
- 2) A small number of pieces produced intermittently when the need arises.
- 3) A small number of pieces produced periodically at known time intervals.

7. Explain the mass production system?

In this type of production, only one type of product or maximum two or three types are manufactured in large quantities. Standardization of products, process materials, machines and uninterrupted flow of materials are the basic features of this system. Mass production system offers economies of scale as the volume of output is large.

8. What do you mean by Batch production?

In this type, the products are made in small batches and in large variety. Each batch contains identical items but every batch is different from the others.

Three types of batch production are:

- 1) A batch produced only once.
- 2) A batch produced repeatedly at regular intervals, when the need arises.
- 3) A batch produced periodically at known intervals, to satisfy continuous demand.

9. What is production system?

A production system is the frame work within which the conversion of input into output occurs. At the one end of the production system are the inputs at the other end outputs. Inputs and outputs are linked by certain operations or processes which impart value to the inputs and are called transformation process.

10. How can you classify the production system?

According to volume and standardization of the production of the products, the production system can be classified as:

- 1) Job shop production.
- 2) Batch production.
- 3) Mass production and
- 4) Process or continuous production.

11. Define marketing.

--- **Marketing** means working with markets, i.e., trying to actualize potential exchanges for the purpose of satisfying human needs and wants.

--- **Marketing**, therefore, may be defined as human activity directed as satisfying needs and wants through exchange processes; examples of human needs are food, water, clothing, education and other services.

--- **Marketing** in its broad meaning includes the policy, techniques and methods necessary for selling and distribution. Without marketing function , goods and services cannot be sold.

12. Explain the role of marketing.

Marketing is of vital importance to any business. The production of goods has no meaning unless firm is able to sell them to customers. The goods have to be transferred from the producers to the consumers; the availability of products at certain places must be made known to customers.

Marketing helps in the creation of place, time, and possession utilities for the benefit of customers.

Place utility: is created by transporting the goods from production centers to places where they are needed for consumption or use.

Time utility: is created by storing the goods in warehouses until there is demand from customers.

Possession or ownership utility: is created through sale and transfer of documents of title to goods.

13. Describe the objectives of marketing?

- 1) To give direct and purpose to the marketing division as a whole as well as to its various departments.
- 2) To discipline various future activities.
- 3) To place tactical plans correctly in the strategic setting.
- 4) To place present activities in perspective.
- 5) To set growth targets.
- 6) To establish the organization and the methods will be required.

14. What are the functions of marketing?

1	Assembling	6	Warehousing	11	Insurance
2	Grading	7	Market research	12	Financing
3	Promotion	8	Pricing	13	Product planning
4	Packing	9	Transportation		
5	Branding	10	salesmanship		

15. Distinguish between marketing and selling.

S.NO	Basis of Difference	Selling	Marketing
1	Focus	On the products of the company	On the needs of the buyers
2	Aims	At the profits through sales volume	At the goal achievement

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			through customers satisfaction.
3.	Needs	Lays more emphasis on the needs of the seller	Lays more emphasis on the needs of the customers.
4	Term goals	It aims at short term profits	It aims at long term profits
5	Object	'Selling what we can make'	' Make what we can sell'

16. What is marketing mix?

“Marketing mix is set of marketing tools that the firm used to pursue its marketing objectives in the target market”

Marketing mix has form claimants. There are:

- 1) Product
- 2) Price.
- 3) Place. (Physical distribution)
- 4) Promotion.

Combination of these 4P's of marketing help in optimizing the level of productivity and consumer satisfaction.

17. What is promotion mix?

An appropriate combination of various promotional tools is required for effective promotion of products. This depends upon the scale i.e., the budget and the various tools and their costs. Many factors influence the choice of tools as type of product, the target market and so on.

The four tools or elements of this 'P' i.e. Promotion mix are as follows:

- (i) Publicity.
- (ii) Sales Promotion.
- (iii) Advertising.
- (iv) Personal selling.

18. What are the various techniques of sales promotion?

- (i) Free samples, Coupons, and Premiums.
- (ii) Trade shows.
- (iii) Displays and Demonstrations.
- (iv) Prizes contests.
- (v) Money Back Offers.

19. What are the Medias of advertisement?

- (i) Press.
 - (a) News papers.
 - (b) Periodicals
 - (c) Magazines.
- (ii) Posters
- (iii) Direct mail.
- (iv) Window display.
- (v) Films.

- (vi) Theatrical programme or cinema slides.
- (vii) Radio
- (viii) Televisions
- (ix) Exhibitions.
- (x) Samples and gift coupons.
- (xi) Electric signs.
- (xii) Sky writing.

20. What do you mean by retail trade?

The term 'Retail' implies sale for final consumption rather than for resale or for further processing. A retailer is therefore the last link between the ultimate consumer and producer.

Characteristics' of retail trade

1. Goods are purchased and sold in small quantities.
2. Retailer maintains personal contact with the customers.
3. Under retail trade, goods are sold to ultimate consumers.

21. What do you mean by middlemen?

Middlemen specialize in performing activities that are directly involved in the purchase and sale of goods in the process of their flow from producers to the ultimate buyers.

Their position is between the producers and ultimate buyers

Middlemen can be classified into two divisions. They are merchants and agents.

A Merchant buys and resells goods while an agent negotiates purchases or sales or both does not buy the goods in which he deals. Hence the difference between the two lies in the "Title of goods" he handles. If he does he is a merchant otherwise he is an agent.

Merchant does buying and reselling but agent may specialize in negotiations of either selling or buying transactions.

22. What is meant by channels of Distribution?

Distribution may be defined as an operation, or a series of operations, which physically bring goods manufactured or produced by any particular manufacturer into the hands of ultimate consumers.

The following are the important aspects of distribution, namely

- (i) Distribution channels
- (ii) Factors determining the choice of a particular channel.
- (iii) Physical distribution costs.

Thus distribution includes all activities that bring a product from the producer into the hands of ultimate consumer which includes other marketing operations.

23. What do you mean by finance?

"Finance has aptly been called 'the science of money'. It includes the principles and the methods of obtaining control of money from those who have saved it, and of administering it by those into whose control it passes." --- S.C Kuchhal.

“Business finance includes those business activities which are concerned with the acquisition and conservation of capital funds in meeting the financial needs and overall objectives of business enterprises.” --- B.O.Wheeler.

24. What do you mean by financial management?

Financial management is concerned with procurement of funds, assessing need of funds, raising required funds, capital budgeting, distribution of surplus or profits, financial controls, etc. In other words, “Financial management deals with planning, organizing, directing, and controlling financial activities like procurement and utilization of funds of an enterprise.”

25. What are the objectives of financial management?

- 1) Pay dividends.
- 2) Maintain market price of the share of stock.
- 3) Seeking growth of the company.
- 4) Avoiding of high levels of risk.
- 5) Maximization of profit.
- 6) Minimization of risk.

16- MARK QUESTIONS

1. Explain the objectives, activities, Duties, and Functions of purchasing department?
2. Explain the steps involved in ordering of material or the purchasing cycle?
3. Define production management and explain the scope of production management?
4. Explain the various kinds of production systems?
5. Explain the four functions of marketing?
6. Bring out the nature and objectives of marketing management?
7. Describe the different components of in marketing mix?
8. What do you understand by wholesaler? Explain its characteristics and functions.
9. What do you understand by retailer? Explain its characteristics and functions.
10. Distinguish between retailer and wholesaler.
11. What do you mean by middlemen? Explain the different kinds of middlemen?
12. What is meant by channels of distribution? Give the important channels of distribution?
13. What are the main sources of finance of corporate business?

UNIT IV - HUMAN RESOURCES

2- MARK QUESTIONS AND ANSWERS

1. Define unemployment.

Unemployment refers to a situation when a person is willing to work and he has the capacity to work but does not get an opportunity to work.

2. What are the types of unemployment?

- a) Cyclical unemployment.
- b) Technological unemployment.
- c) Seasonal unemployment.
- d) Structural unemployment.

- e) Frictional unemployment.
- f) Disguised unemployment.

3) What is cyclical unemployment?

The main causes of cyclical unemployment are the slackness in businesses activities. In capitalistic economy, changes in the level of demand and national output also influence the level of employment. During depression, demand decline considerably, as a result, investment activities get discouraged. The entrepreneurs have to cut the level of their output, and in certain cases, they have also to close down the plant. Consequently, the demand for labor declines.

4) What is Technological unemployment?

The type of unemployment is generally witnessed in the developed countries. The main cause of this unemployment is the use of new techniques of production. When the introduction of new technology causes displacement of workers, it is called technological unemployment. The immediate effect of machinery is to throw some of the workers of employment.

5) What is Seasonal unemployment?

Changes in season cause disequilibrium between demand and supply of an article, and thus, give rise to unemployment. Generally, season unemployment is confined to agricultural sector because of predominance of nature. The demand for agricultural labor increases at the time of sowing and harvesting, but in between this period, it remains unemployed. In seasonal unemployment the labor remains unemployed for 4 to 5 months in a year.

6) What is Structural unemployment?

It is the result of backwardness and low rate of economic development of a country. This type of unemployment is generally witnessed in developing economies. In these economies, the population is increasing at tremendous rate and the rate of capital formation is low. In the absence of capital resources, industrialization is not possible, as a result vast labor force remains unemployed.

7) What is Frictional unemployment?

The temporary unemployment that exists during the period of transfer of labor from one occupation to another is called frictional unemployment. This type of unemployment arises because of imperfection in the labor markets, Imperfections of labor markets are reflected in the ignorance of labor about the job opportunities.

8) What is disguised unemployment?

When more people are engaged in a job actually required they are called disguisedly unemployed. Apparently, every one is engaged in a job but many of them are disguisedly unemployed. If a part of labor force is withdrawn and the total productivity remains unchanged, this withdrawn labor is known as disguisedly unemployed labor.

9) what is demographic factor?

Statistical socio-economic characteristics or variables of a population, such as age, sex, education level, income level, marital status, occupation, religion, birth rate, death rate, average size of a family, average age at marriage. A census is a collection of the demographic factors associated with every member of a population.

10) Write the few causes of unemployment?

- a) Increase in population.
- b) Peculiarity of agriculture.
- c) Industrialization.
- d) Business fluctuation.
- e) Defective educational system.

11) What are the measures to remove unemployment?

- a) Controlling population.
- b) Priority to small- scale industries.
- c) Modernization of agriculture.
- d) Public policy
- e) Job oriented education.
- f) Financial assistance.
- g) Development of infra structure.

12) What do you mean by selection?

By “selection” we mean the taking up the efficient workers by various acts from the application forms invited through internal and external sources. According to Dale –Yoder, Selection is the process in which candidates for employment are divided into two classes – those who are to be offered employment and those who are not.”

13) What do you mean by Training?

Training may be defined as the “steps for increasing the knowledge and skill of the workers for a definite purpose.” The workers are provided facilities to learn new skills, technical knowledge and new attitude toward the work. The basic purpose of training is to bring about change in the behavior of the workers.

14. Distinguish between Recruitment and selection.

S.No	Recruitment	Selection
1.	It means searching for sources of labor and stimulating people to apply for jobs.	It means selection of right kinds of people for various jobs.
2.	It is a positive process	It is a negative process as it involves rejection of unsuitable candidates.
3.	It creates a large pool of application for jobs.	It leads to screening out unsuitable candidates.
4.	It is a simple process. It involves contacting the various sources of labor.	It is a complex and time consuming process. The candidates have to clear a number of hurdles before they are selected for jobs.

15. What do you mean by Motivation?

Motivation is a process of inducing people inner drives and actions towards certain goals and committing his energies to archive these goals.

Scott defines “Motivation means a process of stimulating people action to accomplish desired goals”.

16. Explain the principles of labor legislation?

Labor legislation is based upon the following principles:

1. Social justice implies proper distribution of business profits and benefits between employer and employees .Labor acts which base themselves on social justice are,
 - (a) Factories Act.
 - (b) Minimum wage Act
 - (c) Workmen’s compensation Act
2. Social equality.
3. National economy.
4. International uniformity and solidarity. – To keep international uniformity in all labor matters, different countries seek guidance from international labor organization (ILO) conventions and recommendations for making labor Laws.

17. What are the laws connected with working conditions in factories?

- a) Factories Act, 1948.
- b)Industrial Employment Act , 1946.
- c) The mines Act 1952.
- d) Indian merchant shipping act 1923.

18. What are the laws related to specific matters wages and welfare?

- a) The payment of wages act, 1936
- b)The minimum wages Act , 1948
- c) The workmen’s compensation Act, 1923.
- d) The Employees state insurance Act, 1948.

e) The employee provident Fund Act, 1952.

19. What are the laws related to Workers associations?

- a) Trade union Act, 1926.
- b) Industrial dispute Act,

20. What are the laws related to social insurance?

- a) The maternity benefit Act, 1961.
- b) The workmen's compensation Act, 1923.
- c) Employees state insurance Act, 1948.

21. What do you mean by recruitment?

Recruitment may be described as the process of getting potential employees willing to apply for a job with a concern or a firm. In other words, recruitment develops and maintains adequate manpower to run an organization efficiently. Requirement is the process of searching for prospective employees and stimulating them to apply for jobs in the concern.

22. What are the objectives of training?

- a) To ensure an adequate supply of properly trained employees at all levels of industry.
- b) To increase productivity of conceptual skill, imagination and judgement of employees.
- c) To reduce scrap rate.
- d) To reduce accident rate.
- e) To reduce fatigue and tardiness.

23. What are the advantages of Employee training?

- a) Increased productivity.
- b) Fast production rate and improved product quality.
- c) Reduced supervision of employees.
- d) Better cooperation and team work among employees.
- e) Reduced labor turn-over, quits and fires.
- f) Reduced accidents.

24. Explain the statutory hours of work?

i) Weekly hours:

Adult worker shall be required to work in the factory for not more than 48 hours a week.

ii) Weekly holidays:

No adult worker shall be required to work on Sunday unless manager substitutes Sunday by a holiday one or three days immediately before or after Sunday.

iii) Daily hours:

No adult worker shall be required to work for more than nine hours on any day.

iv) Intervals for rest:

No adult workers shall be required to work for more than 5 hours continuously. i.e., after 5 hours the worker shall have a rest for at least half an hour.

25. What are the important aspects of the minimum wages Act?

- i) The act lays down for fixation of
 - A minimum time rate of wages.
 - A minimum piece rate,
 - A guaranteed time rate.
 - An over time rate, for different occupations, classes of work, for adults , children, etc
- ii) The minimum wage may consist of a basic rate of wages and a cost of living allowances.
- iii) Cost of living allowances shall be computed by competent authority such as the Director, labor bureau.
- iv) Wages shall ordinarily be paid in cash.

16- MARK QUESTIONS

- 1) What are the causes and effects of unemployment?
- 2) What are the different types of unemployment?
- 3) Explain the statutory hours of work?
- 4) What is recruitment? Distinguish between recruitment and selection?
- 5) What is selection? State the various steps involved in the selection process?
- 6) What do you mean by training? What are the advantages of imparting training to the workers?
- 7) Explain the different types or kinds of training?
- 8) What is meant by training? Discuss its objectives.
- 9) What are the important aspects of minimum wages Act?
- 10) Explain the statutory benefits of workers in detail?

UNIT V - FOREIGN TRADE

2- MARK QUESTIONS AND ANSWERS

1. What do you mean by Foreign Trade?

When a businessman of a country buys goods from a businessman of another country or sells goods to him, such a business is called Foreign Trade or International Trade. India's trade with Russia, U.S.A, France, Japan, are the examples of foreign trade. Foreign trade plays an important role in accelerating the process of economic growth of a country

2. What is Internal or Home Trade?

Purchase and sale of goods with in a country is known as the internal trade. Internal trade is always within the boundaries of a country. It is also known as domestic or home trade.

3. What is international or Foreign Trade?

International trade may be defined as the trade between different countries. Purchase from and sale of goods and services outside the country is called the international trade. It is also known as foreign trade.

4. What are the classifications of foreign trade?

Foreign trade can be classified into three categories:

- 1. Import trade:** When goods are purchased from a foreign country, it is called import trade.
- 2. Export trade:** When goods are sold to other countries, it is called export trade.
- 3. Entrepot Trade:** Some countries goods are imported from one country with the purpose of exporting them to some other countries, it is called entrepot trade.

5. Differentiate Home Trade and Foreign Trade.

S.NO	Basis of difference	Home or Domestic or Internal Trade	Foreign or International Trade
1.	Meaning	Purchase and sale of goods with in the country known as internal trade	Purchase from and sale of goods and services outside the country is called the international or foreign trade.
2.	Different currencies	Home or domestic trade involves the use of only one currency, i.e ., the domestic or home currency	International trade involves the use of two different currencies, the local currency and a foreign currency.
3.	Exchange and Trade control	Within a country, there is a free flow of goods and services	There is no free flow of goods and services from one country to another.
4.	Risk	In home trade , the amount of risk is comparatively less	In foreign trade, there is a greater risk

6. List out the advantages of Foreign Trade.

- i) Proper utilization of Natural resources.
- ii) Improvement in the standard of living.
- iii) Availability of all types of goods.
- iv) Advantages of large scale production.
- v) Export of surplus production.
- vi) Stability in prices.
- vii) International relations.

7. List out the disadvantages of Foreign Trade.

- i) Mis - utilization of Natural resources.
- ii) Import of harmful goods.
- iii) Economic dependence.
- iv) Shortage of goods.
- v) Difficulties during war.
- vi) Unhealthy competition.

8. What are the documents to be used in Import Trade?

The following are the important documents used in Import trade:

- i) Indent.
- ii) Import license.
- iii) Bill of Lading.
- iv) Bill of Entry.
- v) Bill of sight.
- vi) Dock challan.
- vii) Advice letter to Buyers.
- viii) Railway receipt.

9. What are the documents to be used in Export Trade?

The following are the important documents used in Export trade:

- i) Indent.
- ii) Shipping Order.
- iii) Shipping Bill
- iv) Dock receipt.
- v) Mate's report.
- vi) Bill of lading.
- vii) Charter party.
- viii) Insurance policy.
- ix) Export invoice and consular invoice.
- x) D/P (Documents against payments)
- xi) D/A Bills (Document against Acceptance).

10. Write short notes on:

(i) Shipping bill

After receiving the shipping order, there is a provision for payment of export duty. For this, the forwarding agent will fill in three copies of shipping bill of different colors and submit them to the custom house. These copies contain full description regarding the quality of the goods, quantity of goods, value of goods, name of the ship, port destination, marks, and numbers, measurement, etc. The custom authorities will calculate the duty charges. ON payment of these duties, the custom authorities will return two copies (Original and third) of the shipping bill to the forwarding agent.

(ii) Bill of lading.

Having received the mate's receipt , the forwarding agent will present this mate's receipt at the office of shipping company and in exchange will get a document called 'Bill of lading' The forwarding agent has to fill three blank forms of bill of lading in which he gives regarding gods, as

- i) Name of ship.
- ii) Place of loading.
- iii) Details regarding goods.
- iv) Destination.

- v) Date,
- vi) Name and address of the person to whom delivery is to be made,
- vii) Freight, etc.

11. What do you mean by MNC (Multinational Corporation)?

Multinational Corporation – MNC: A corporation that has its facilities and other assets in at least one country other than its home country. Such companies have offices and/ or factories, in different countries and usually have centralized head office where they co-ordinate global management.

Some times referred to as a “Transnational corporation”

Multinational corporation – MNC Nearly all major multinationals are American, Japanese or western European, such as Nike, coca-cola, Wal-Mart etc.

12. What do you mean by MNE (Multinational Enterprise)?

A corporation that has production operations in more than one country for various reasons, including securing supplies of raw materials , utilizing cheap labor sources, serving local markets taking advantages of tax differences, and bypassing protectionists barriers.

13. Explain the term “Globalization”.

Globalization (or globalisation), describes a process by which regional economies, societies, and cultures have become integrated through a global network of communication, transportation, and trade. The term is sometimes used to refer specifically to economic globalization the integration of national economics into the international economy through trade, foreign direct investment, capital flows, migration, and the spread of technology.

However globalization is usually recognized as being driven by a combination of economic, technological, sociocultural, political, biological factors. The term can also refer to the transnational circulation of ideas, languages or popular culture through acculturation.

14. What do you understand by the term “Bank”?

According to Banking Regulation Act,1949,“The word banking as the accepting for the purpose of lending or investment, of deposits of money from the public , repayable on demand or other wise and withdrawal by cheque , draft , order or other wise” .

15. Explain the important functions of a bank?

1. To receive deposits.

To receive money from public is an important function of a bank. Deposits received by the banks in the following three forms.

- i) Fixed deposits.
- ii) Current deposits.
- iii) Savings bank deposits.

2. To lend money.

It is also the chief source of profit to most banks. Bank accepts deposits from those who have surplus money and grant loans and advances to those who need them. Loans and advanced by the bank in the following forms.

- i) Cash credit.
- ii) Over draft.
- iii) Loans and advances.
- iv) Discounting the bills and hundies.

16. What are commercial banks?

A Commercial bank is a monetary institution which serves the interest of its depositors by providing with security vaults for the surplus resources and on the other hand, makes profits by investing its resources in the productive measures by extending loans.

Commercial banks are owned by the government or they may run in the private sector.

For instance, 20 major commercial banks are nationalized in India. The other private sector banks are organized on the lines of a joint stock company. Commercial banks are therefore dealers in loan able funds of the community.

17. What is Industrial bank?

These banks have come up for the promotion of new industrial concerns. Industrial banks or investment banks provide medium and long-term loans and also supply fixed capital to the industrial concerns by subscribing to the shares and debentures of the industrial enterprises. Indian Finance Corporation and Investment Corporation of India are examples of industrial bank in India.

18. What is Exchange bank?

Exchange banks are those banks which deal in foreign exchange, that is, to convert the rupee into foreign currencies and vice – versa. Dealing in foreign exchange is also handled by the commercial banks. In our country, dealing in foreign exchange is conducted by the foreign banks as well as Indian commercial banks.

19. What is Co- operative bank?

Co-operative banks have been set up to meet the requirements of very poor farmers and small scale industrial concerns. These banks are classified into two groups, such as:

i) Central co-operative banks:

Members of these banks can be individual or societies. These banks can get capital resources from their shares, from public deposits and also loans from the state co-operative banks.

ii) State co-operative banks:

These banks are also called as 'apex' banks. Their area of operation extends over a state. These banks get short and medium – term loans from the reserve bank of India. The co-operative banks play a very useful role in agriculture credit.

20. What is central bank?

A central bank is so called because it occupies a central position in the monetary and banking system of a country and is the highest financial authority. It is the apex bank and the statutory institution in the money market of a country. In India, it is named Reserve bank of India. The main function of this bank is to regulate and supervise the whole banking system. It is banker's bank and controller of credit in the country.

21. What is Indigenous bank?

These banks have been called by different names in different parts of the country, such as seths, shroffs, mahajans, chettis etc. The indigenous bankers generally lend money and finance the internal trade of our country. The rate of interest is comparatively higher.

22. What is regional bank?

Rural banks meant for development of rural economies, have been established by the central government at the request of commercial banks who have sponsored such proposal and are called the sponsor banks. Each rural bank will have an authorized capital of Rs 1 crore and issued and paid up capital of Rs 25 lakhs. These banks grant loan to small farmers, small entrepreneurs and agricultural laborers.

23. Explain the term "Current account".

It is also called 'Open account' or 'Demand deposit account' A business man can open a current account with a bank. Customers can deposit money into or with draw money from a current account between a banker and a customer. Current account generally does not carry any interest as the amount deposited in these accounts is repayable on demand.

24. Explain the term "Savings Bank account".

In savings bank account small savings are deposited into bank by the customers to safe guard their future and to earn some interest on their savings. This account can be opened by any person with a minimum amount of Rs 5. In this account, deposits can be made for any number of times in a week but can be with drawn once or twice in a week. The rate of interest at present is 5% per annum.

25. What do you understand by insurance?

A Contract of insurance is a contract by which a person, in consideration of a sum of money, undertakes to make good the loss of another against specified risk, e.g., fire or to compensate him or his estate on the happening of a specified event, e.g., accident or death

26. Define insurable interest.

The assured must have an actual interest called the insurable interest in the subject – matter of the insurance. A person is said to have an insurable interest in the subject-matter (property or life) if he is benefited by its existence and is prejudiced by its destruction. Without insurable interest the contract of insurance is void. It is the existence of insurable interest in a insurance contract that differentiates it form a wagering contract.

27. Explain the term 'Subrogation'.

The principle (or doctrine) of subrogation is a corollary to the principle of indemnity and applies only to fire and marine insurances. It does not apply to life and personal accident insurances. If the insured party gets a compensation for the loss suffered by him he cannot claim the same amount of loss from other party. Subrogation is a substitution of one person in place of another in relation to the claim, its rights, remedies or securities.

28. Explain Double insurance.

When the same subject – matter is insured with two or more insurers and the total sum insured exceeds the value of the subject matter, the assured is said to be over insured by double insurance.

As stated in section 34 of the marine insurance Act, 1963, over insurance and double insurance are valid unless the policy otherwise provides.

29. Explain Re-insurance.

Every insurance has a limit to the risk that he can undertake. If at any time a profitable venture comes his way, he may accept a risk beyond his capacity, he may re-insure the same risk either wholly or partially with other insurers. This is known as re- insurance.

30. What is life insurance contract?

Life insurance is a contract by which the insurer, in consideration of a premium. Undertakes, to pay a certain sum of money on the death of a person whose life is insured, or on the expiry of a certain period, whichever is earlier. Life insurance contract is not a contract of indemnity. The loss of life cannot be compensated and only a specified sum of money is paid.

31. Write short notes on Doctrine of Causa Proxima.

The insurer can recover the loss only if it is proximately caused by any of the perils insured against. This is known as the principle of Causa Proxima. "Every loss that clearly and proximately results whether directly or indirectly from the event insured against is within the policy"

The rule of proximate cause runs as causa proxima Non – Remota spectator, i.e the proximate and not the remote cause is to be looked to, and if the proximate cause of his loss is a peril insured against, the assured can recover the amount of the loss from the insurer.

16- MARK QUESTIONS

1. What is meant by Foreign Trade? Distinguish between “Foreign Trade” and “Home Trade”.
2. Discuss the advantages and disadvantages of foreign Trade.
3. What are the difficulties which are to be faced in foreign trade by traders?
4. What are the different ways of increasing sale in foreign countries?
5. Suggests the measures to increase the demand for Indian products in foreign countries?
6. Discuss the different prices in Foreign Trade.
7. Describe briefly the procedure of importing goods in foreign trade. Name the documents to be used in this connection.
8. Outline in brief the procedure for the export of goods, mentioning the important documents involved.
9. Explain the procedure for exporting goods from India.
10. What do you understand by the term “Bank”? Explain in detail the functions of a bank?
11. Explain main functions of commercial banks.
12. Enumerate the services rendered by bankers to mercantile community.
13. Write short notes on cash – credit.
14. How will you classify banks? Discuss.
15. Explain in detail the advantages or importance of a bank.
16. What are the different types of bank accounts? How are they operated?
17. What do you understand by insurance? What are the fundamental elements of principles of insurance?
18. What are the different types of Insurance?
19. What are the advantages / utilities /importance of insurance to a businessman?
20. What is life insurance contract? What are the essentials /principles of life insurance contract?
21. Explain different kinds of life insurance policies.
22. Discuss the essentials of fire insurance contract? Distinguish between fire insurance and marine insurance?
23. Explain the different kinds of fire insurance policies?
24. Explain the different kinds of fire insurance policies?