

Annual Commerce Tentative Key- Mar 2017

1. (d) Non flexibility
 2. (a) Global giant
 3. (c) Any one person
 4. (c) Small scale concerns
 5. (b) Can Keep the business secrets
 6. (a) Agreement
 7. (c) 1932 Act
 8. (b) Optional
 9. (c) Model of Articles of Association
 10. (c) for non-payment of call money
 11. (b) Rs.10
 12. (a) Creditors
 13. (b) 15
 14. (a) 11% of net profits
 15. (a) 15 months
 16. (c) Financial securities
 17. (b) 21
 18. (a) Bull
 19. (b) In towns and villages
 20. (c) Government company
- II. Fill in the blanks :
21. Departmentation
 22. agreed ratio
 23. Unlimited
 24. 20
 25. Sleeping / Dormant/ financing partners
 26. Seven
 27. Articles of Association
 28. One
 29. agents
 30. 21
 31. Quorum
 32. enormous capital
 33. Creditorship
 34. Mumbai (or) Bombay
 35. to work with
 36. Robert Owen
 37. retailing
 38. Board of Directors
 39. Departmental Organisation (or) Departmental Undertaking
 40. Nationalisation

Sec-B Any Ten Only: 10x4=40

- 41. What is scalar principle?** In an organization, Line of authority must proceed from the highest executive to the worker at the bottom level through a downward flow. The superior has a direct authority over his immediate subordinate.
- 42. Who is a KARTA?** The Head of the Joint Hindu family is known as 'KARTA'
- 43. What is 'unlimited liability'?** The creditors have the right to recover their dues even from the personal property of the sole proprietor in case the business assets are not sufficient to pay their debts.
- 44. Define Partnership(Any one)** According to the section 4, of Indian partnership Act of 1932, Partnership is the relation between persons who have agreed to share the profits of a business carried on by all or any of them acting for all.
- 45. Limited partnership** A partnership in which liability of the partner is limited is called limited partnership. The law does not permit the formation of a limited partnership in India. But in Europe and U.S.A limited partnership is allowed. A limited partnership firm must have atleast one partner whose liability is unlimited.

46. Share premium When the shares are issued at a higher price than its face value, it is said to be issue of shares at a premium. The difference between the issue price and the face value constitutes share premium.

47. Cumulative Preference Shares In case dividend is not declared, because of inadequate profit, the right to dividend for that year does not lapse in the case of cumulative preference shares. Dividends not declared and paid get accumulated so that they may be paid out of profits of subsequent years as arrears of dividend before any dividend is paid to equity shareholders.

48. Proxy: The term proxy may refer to a person who is authorized by a member for the purpose of attending a meeting. It also means the instrument by which the proxy is authorized.

49. Statutory Meeting: The first meeting of the shareholders of a public limited company which is mandatory as per the companies act is known as statutory meeting. This is held only once in the life time of the company.

50. Prospectus: The company gives a notice or advertisement inviting the public to subscribe for the shares. The circular or notice or advertisement is a legal document called 'prospectus'. No intermediaries are involved. This method is expensive.

51. Listing: The company which wants its securities to be trade in a recognized stock exchange should apply to the stock exchange and get its name included in the official trade list. The inclusion of the name of a company in the official trade list of a stock exchange is called listing.

52. Rochdale pioneers: Robert Owen started the first ever co-operative movement in the year 1844 with 28 members called as "Rochdale society of equitable pioneers". It was a first consumer's cooperative society. The father of this movement was Robert Owen.

53. Patronage Dividend: The profit of cooperative society is distributed to the members in the proportion of purchases made by them and not on shares held by them. In the case of credit societies, members are given bonus or rebate on the sales effected by them. This is known as distribution justice or patronage dividend.

54. How can we establish state enterprises?

The Government can own and control industry and business in two ways: 1. by starting a new unit, and 2. by taking over an existing industrial or commercial unit owned by private persons.

55. Government company: According to Indian companies act 1956 " Government company means any company in which not less than 51% of the paid up share capital is held by the central Government or by any state Governments or Government or partly by the central Government and partly by one or more state Government and includes a company which is a subsidiary of a Government company"

Example: SAIL, Indian Telephone Industries

Part-c Answer any 5 5x8=40

56. Principles of organizations.(Any 4) 1 Unity of objectives: The term objective means a goal to be achieved. Therefore the objectives of an enterprise must be clearly fixed.

2 Division of work: In an organization the total work should be divided. This is known as departmentation. Effective organization must promoted specialisation.

3 Span of control: An executive should be asked to supervise a reasonable number of subordinates. This principle is called span of Control.

4 Scalar Principal: In an organization, line of authority must proceed from the highest executive to the

worker at the bottom level through an downward flow. This is known as chain of Command. **5 Unity of command:** In an organization, each individual should receive orders from only one boss. A person cannot serve under two masters. **6 Functional Definition:** The authority and responsibility of every individual in an organization should be clearly defined. **7 Unity of Direction:** There must be one head and one plan for a group of activities directing towards the same objectives **8 Co-ordination:** The various activities of an undertaking or organisation should be co-ordinated to secure the desired results. The purchase department and sales department activities must be well co-ordinated to increase profit. **9 Delegation of authority :** Delegation of authority means transfer of power to subordinates. The subordinates should be granted necessary powers and rights. **10 The principle of Responsibility:** The superior should be held responsible for the acts of his subordinates. He cannot escape from the responsibility.

11 Flexibility: The organization should be flexible. It should be adaptable to changing circumstances. **12 Efficiency:** Efficiency should be the watchword of the organization. **13 Personal Ability:** As people constitute an organization there is need for proper selection, placement and training of staff. Improvement in personal ability results in achieving the objectives of an enterprise. **14 Simplicity:** The organization should be simple. For the smooth and efficient functioning of an organisation, the procedures should be simple and understandable.

57. Contents of Partnership Deed : Name of the firm. Date of agreement and principal place of business. Names and addresses of all the partners. iii. Nature of business proposed to be carried on by the firm. Duration of the partnership, if any. Amount of capital contributed by each partner. Amount of withdrawal of each partner. Profit sharing ratio. Salary payable to active partner or partners. Interest on capital and interest on drawings. Procedure for admission or retirement of partners. Manner of dissolving the firm and the mode of settlement of accounts on such dissolution. Maintenance of books of accounts and their audit. Interest to be allowed on partner's loans and advances to the firm.

58. Contents of the Memorandum:(Any 4)

1. Name clause : In this clause the name of a company is mentioned. If it is a Public Limited Company it should end with the word 'limited'. If it is a private limited company it should end with the word 'Private Limited'. **2. Situation Clause :** The state in which a company has its registered office is to be stated here. **3.Objects Clause :** It states the activities of the company. It lays down the maximum permitted range of activities. **4. Liability Clause :** This clause states that the liability of members is limited. **5. Capital Clause :** The amount of share capital with which the company is to be registered and division into share of fixed must also be mentioned.

59. Conditions for issuing shares at a discount: 1. The shares to be issued must be a class already issued. 2. It must be authorized by an ordinary resolution. 3. It should be sanctioned by the Central Government. 4. The maximum rate of discount is 10%. 5. Shares at a discount must be issued within 2 months from the date of sanction by the Central Government

60. Directors appointed in a Public Limited Company: 1. Appointment of Directors: First directors are usually named in the Articles. If the Articles are silent, the signatories to the memorandum shall be deemed to be the first directors of the company. **2.Appointment of directors by the company:**

Subsequent directors are elected by shareholders at the Annual General Meetings.If a company adopts the principle of retirement by rotation, one-third of the directors must retire by rotation. The retiring directors are eligible for reappointment. **3.Appointment by Board of directors:** The Board can appoint additional directors. They can fill up casual vacancy caused by death, resignation, etc. They can also appoint alternate director. **4. Appointment by third parties** If authorized by the Articles, third parties such as vendor of the business, banking or financial institutions which have advanced loans to the companies, can appoint their nominees on the Board. **5. Appointment by central government:** The Central Government can also appoint directors on an order passed by the Company Law Board or on the application of not less than 100 members of the company or of members holding 10% of the total voting power.

61. Explain the different kinds of speculators.

1 Bull Expects rise in prices of securities. Optimistic speculator **2. Bear** Expects fall in prices of securities. Pessimistic speculator. **3. Stag** He is a cautious speculator. Expects to sell the securities at premium. He is a premium hunter. **4 Lame Duck** A bear struggling to carry over the transaction. Not able to get securities in time.

62.Demerits of co-operative societies. **1. Inefficient Management** Members of a co-operative society do not generally possess the ability and experience to manage the business. **2.Limited capital** The principle of "one man one vote" discourages the members to invest large amount. **3. Lack of motivation** The employees do not have interest to work hard as they get low salaries. **4. Lack of co-operation** Members do not have Unity among themselves. **5. Lack of secrecy** The business affairs of a co-operative society are openly discussed in the meetings. **6. No Credit facility** Credit facilities are not usually offered to members. **7.Non-transferability of interest:** The shares of a co-operative society are not transferable. **8.Domination of vested members** Some members try to command society by virtue of their managerial interest and political power. They exploit the society as their own property.

63. Difference between Public and Private Sectors

Public sectors	Private sectors
Service motive	Profit motive
Unlimited resources	Limited resources
Checks concentration of economic power	heads to concentration of Economic power
Develops those sectors which are neglected by the private sector	Develop those industries in which risk is less and returns is more
Deserves nation wealth	Exploitation of natural resources
Brings balanced growth in backward area	Do not establish industries in backward area
Consumer welfare is protected	Consumers are exploited
Model employer	Exploitation of employees

Part D Answer All 4x20=80

64.(a) Types of business Organisation (any 5) 1.Sole Trader: Sole trader business is owned and controlled by a Single person. It is the Oldest form of business organisation. The liabilities of the sole trader is Unlimited. No legal formalities is required to formation of Sole trader."All is he and he is all in all" is the principle of Sole trader. **2. Joint Hindu Family Business:**This system is found only in India. A Joint Hindu Family comprises of father, mother, sons,

daughters, grandsons etc., The head of the family is known as 'KARTA'. The members are called coparceners. It is regulated by the provisions of Hindu Law. **3. Partnership:** Partnership is the relationship between two or more persons. The minimum number of partners is 2 and maximum is 10 in banking and 20 in other business. Partnership business is governed by Indian Partnership Act 1932. In India the registration of partnership firm is not compulsory. It is only optional. Partners sharing profit or loss in agreed ratio. **4. Joint Stock Company:** A company is a artificial person created by law. Registration is Compulsory as per Indian Companies Act 1956. Classified into Private Limited and Public Limited Company It is managed by Board of Directors elected by Share holders. The liability of the share holders is limited. **5. Co-operative Society:** It is a voluntary association of persons. All the members are equal in cooperatives. Registration is Compulsory as per Co-operatives Act. It is managed by Board of Directors elected by members. "One man one vote" principle is followed in Co-operatives. **6. Multinational Company:** A Multinational Company is a company carrying on business in two or more countries. A Multinational Corporation is also known as 'Global giant' or 'World Enterprise' or 'International Enterprise' Example: Union Carbide, IBM, Coco Cola Corporation, Philips **II. Government Enterprises:** **1. Departmental Enterprises:** It is one of the part of the Government. It is the oldest form of organisation of state enterprise. Its administration is in the hands of Civil Servants. It may be run either by central government or by the state government. Example: Railway, Post, Telephone, Defence etc., **2. Public Corporation:** A public corporation is created by a Special Act passed in the Parliament or State Legislature. It is otherwise called "Statutory Company". Service to the public is main aim of public corporation. It is managed by Board of Directors appointed by Government. Example: LIC, RBI, UTI etc., **3. Government Company:** It is Registered under Indian Companies Act 1956. Government company is which not less than 51% of the paid-up share capital is held by the Central Government or any other State Governments or both. It is managed by Board of Directors appointed by Government. Example: BHEL, SAIL, TANSI etc **4. Board Organisation:** It is management by Independent Board nominated by a government. It has its own rules and regulations. Example: Tamil Nadu Electricity Board, Tamil Nadu Housing Board etc.,

64.(b) OBJECTIVES OF STATE ENTERPRISES State enterprises are established to implement economic policies of the government. The primary objective of the state enterprises is to serve the people and help in creating an environment for industrial activity. Main objectives of state enterprises are as follows: **i. Helping all-round Industrialisation** Private entrepreneurs will invest only in those industries where profit earning chances are more. They will not invest in an undertaking where profits are low irrespective of its utility for people. State enterprises are necessary for those lines where private sector is hesitant to invest. It helps in all-round industrialization of the country. **ii. Developing Basic Industries** Certain basic industries like iron and steel, chemicals are the most essential for economic growth. They must be developed only as state managed units. **iii. Establishing Enterprises Requiring Heavy Investment** Some undertakings need heavy investment and the gestation period may also be longer. Private industrialists cannot afford to make such huge investments. In case of railways, ship-

building, energy producing concerns, etc very huge investments is required which is beyond the means of private investors. Hence, government enters these fields and establish its own undertakings. **iv. To Provide Necessities** Government undertakes to provide various necessities like electricity, water, coal, gas, transport, communication facilities to the people. The aim is to provide these basic facilities at cheap rates. Private sector cannot be relied upon to provide these services. Moreover, there are chances of public exploitation in these services. So public utilities are provided by government undertakings. **v. To run Monopoly Sectors** Some industries are to be developed only in public sector. The industries like defence, nuclear energy etc. cannot be left in the private sector. If defence industries are owned by private individuals / firm, in times of national emergency, they may not co-operate with the state. There is also the danger of defence secrets being given out to the enemy. So for the security of the country, defence Industries are always owned and managed by the state. **vi. For Balanced Economic Growth** The aim of industrialisation is to develop all industries, essential for the country. Also, various regions of the country should be equally developed. Private sector may not establish industries in certain regions, where they do not find opportunities to earn more profit. They cannot be compelled to start their undertakings in backward regions. So government can start industries in backward areas. **vii. For Exploitation of Natural Resources** Private sector will not like to risk capital in exploitation of natural resources. Oil and natural Gas commission in India spends huge amount for finding out new sources of oil and gas. A private sector unit cannot spend such amounts on exploratory stages. **viii. Preventing Concentration of Economic Power** If private sector is given a free hand, industrialization will lead to exploitation of consumers. It will ultimately lead to concentration of economic power in fewer hands. The existence of state/public sector will be a check on private sector. **ix. Making for full Employment** Fullest employment is possible only under socialised production. No country has solved its 'unemployment problem' where the private sector is in full swing. The State, by proper centralised planning of industrial development, can aim at not only full employment of labour but also employment of all other available resources. **x. To increase Government Resources** Some of the state enterprises are run on commercial lines. The profit earned by such enterprises goes to the exchequer. Thus, it augments the resources of the Government which is ultimately directed for the development of the economic schemes of national importance and spent on social welfare schemes like education, medical help, housing, road building, etc., The welfare schemes will improve the economic conditions of all the people, especially the poor people. **xi. For Establishing Socialistic Pattern of Society** Under socialistic pattern of society, the gap between rich and the poor is reduced and the means of production are controlled by the State. In capitalistic society the poor becomes poorer and the rich becomes richer. The establishment of a strong public sector is essential for the equal distribution of wealth.

65.(a) Role of Sole Proprietorship in the Society:

(1) Consumers are the kings: They decide the success of a business. Their needs, desires, expectations are to be satisfied by the businessmen. Sole proprietorship occupies a pivotal role in satisfying the multifarious needs of consumers regarding goods and services. **(2) Promotes welfare :** The

sole trader who supply these goods are respected by the society.

II. Sole proprietorship's social necessity arises due to the following ways: **(1) Solution to unemployment problem:** sole trader business organization gives large employment opportunities to the less educated and uneducated persons and helps to reduce the unemployment problem in the society. **(2) Provides Investment Avenues:** sole trader organization provides a change for small investors who has small amount of capital to utilise their savings in the productive line. **(3) Provision of goods at low price :** Goods are sold by sole traders at a price lesser than the maximum retail price (MRP) mentioned on the packages of the goods. **(4) Helps small producers:** Most of the goods sold by sole traders are procured locally from local producers. Thus small local producers are benefited by the sole traders. **(5) Supply of Quality Goods:** Sole traders sell goods of high quality nowadays to maintain their reputation. **(6) Equal Distribution of Income and Wealth:** Equal distribution of income and wealth is ensured as there are more entry of sole proprietors in trading activities. **(7) Helpful to consumers :** The sole traders supply the goods to the consumers at their door steps. So the time and energy of the consumers are saved.

65.(b) Important features of co-operative organization (any 10)

1.Voluntary Organization A co-operative society is a voluntary association of persons. Any person can join the society . There is no compulsion to become a member of a co-operative society . A person can join a co-operative society whenever he likes and leaves it whenever he wants. **2. Equality** In a co-operative society all persons are equal. Its members have equal rights and more capital does not provide more rights to an individual. **3. Democratic** Managements Co-operative societies are managed on democratic lines. Every member has only one vote irrespective of the number of shares held by him. The society is formed on the principle of democracy which means “ One vote for one member”. **4. Combination of resources** In this organisation members pool their own resources. They use their resources in the interest of all members. **5. Concentrated Effort** In this organisation all individuals work together. The main principle of cooperation is that “ Each for all and all for each “. **6. Spirit of service** The objective of co-operative organisation is that the service is primary and profit is secondary. It strives to provide required services to the members. Provision of credit facility, construction of buildings, supply of seeds, fertilizers etc., are some of the services offered by the societies. **7. Plural Membership** It is an association of persons. A minimum of 25 persons are required to form a co-operative society. There is no limit on the maximum membership. **8. Legal Capacity** An individual must have the legal capacity to make any agreement. They are bound by the rules and regulations of the society. The members forming the cooperative society must have attained the age of majority. **9. Open Membership** Any man or woman having a common interest can join a society at any time. No discrimination is made on the basis of caste, creed or religion. Both the rich and the poor can join. Illiteracy is also not a bar to membership. **10. Finance** The capital of co-operative society is divided into many shares of equal value. The society also gets capital from its members. But the share value is fixed at low. A person becomes a member by purchasing its shares.

11. Limited return on Capital A co-operative society gives less importance to money power. A minimum of 9 % of the

profits is to be distributed as dividends. This prevents rich people from dominating the society. **12. Local Membership** Generally, in any co-operative society people from the particular locality become members. This is because only people in a particular locality can have a common economic problem. They are also well known to each other. **13. No Political Influence** A politician can join a co-operative society as a member, but politics should not enter into its management. This makes a co- operative society, non – political.

66.(a) The circumstances under which a partnership firm is dissolved

I. Dissolution without the order of Court (Sections 40 to 43 of the Indian partnership Act, 1932). **a) Dissolution by Agreement (Sec.40) :** A partnership is created and dissolved by an agreement. **b) Compulsory dissolution (Sec.41) :** A firm is compulsorily dissolved either by the agreement of all the partners or on the insolvency of all the partners except one. **c) Dissolution on the happening of certain contingencies (Sec.42):** i) Death of a partner, ii) Expiry of the time, if partnership is for a fixed period, iii) completion of the venture for which the firm was formed, and iv) Adjudication of a partner as an insolvent. **d) Dissolution by notice of partnership-at-will (Sec.43).** Where the partnership is at will, the firm may be dissolved by any partner by giving a notice in writing to all the other partners of his intention to dissolve the firm.

II. Dissolution through Court (Sec.44):

a) Partner's Insanity: If any partner becomes insane, the court may order dissolution. **b) Permanent Incapacity:** When a partner becomes permanently incapable of doing business the court may order dissolution. **c) Persistent Breach of Agreement:** If a partner persistently violates the agreement and the other partner finds it impossible to do business in partnership with him, then the other partner can move for dissolution. **d) Misconduct of a Partner:** If any partner is guilty of misconduct (misuse of money) then any partner can file a suit for dissolution of the firm. **e) Transfer of share :** When a partner transfers his share in the business to a third party, then the other partners can move the court for dissolution. **f) Continuous Loss :** When the business of the firm cannot be carried on except at a loss, the court may order for dissolution.

66.(b) Explain the objectives, features, functions and powers of SEBI

I. SEBI The SEBI was set up as an administrative body in April 1988. It was given statutory status on 30.1.92 by promulgation of SEBI ordinance. The ordinance is considered to be an Act of parliament. **II. Objectives:** 1.The basic purpose of establishing SEBI is to protect the interest of the investors in securities.2.To promote, develop and regulate the securities market and deal with the matters connected therewith or incidental thereto.

III. Features of SEBI 1) The SEBI shall be a body corporate established under SEBI ACT, with perpetual succession and a common seal. 2) The head office of the board shall be at Mumbai. SEBI can have branch offices at other places in India. 3) The board shall consist of the following members. (i)A chairman (ii)Two members from amongst the officials of the Ministries of the Central Government dealing with finance and law. (iii) One member from amongst the officials of the Reserve Bank of India. (iv) Two other members Chairman and other members of the Board are appointed by the central Government. 4) The general superintendence, direction and

management of the SEBI shall vest in the Board of members. Those members exercise all powers and do all acts and things which may be exercised by the Board (SEBI) 5) Central Government shall have the power to remove a member or the chairman appointed to the Board 6) Central government shall provide finance and also make appropriate grants to the Board. 7) Central government has power to issue direction to the board on the policy matters and shall supersede the board in the event of default by the Board. IV. Functions To provide the development of, and to regulate the securities market SEBI undertakes the following function a. Regulating the business in stock exchanges. b. Registering and regulating the working of stock brokers, sub-brokers, issue bankers, underwriters and such other intermediaries who may be associated with securities markets in any manner. c. Registering and regulating the working of collective investment schemes including mutual funds. d. Promoting and regulating self-regulatory organisations. e. Prohibiting fraudulent and unfair trade practice relating to securities market. f. Promoting investor's education and training of intermediaries of securities market. g. Prohibiting insider trading in securities. h. Regulating substantial acquisition of shares and take-over of companies i. Calling for information from, undertaking inspection, conducting inquires and audits of the stock exchanges Performing such functions as may be delegated to it by the central government.

67.(a)

PARTNERSHIP FIRM	JOINT STOCK COMPANY
Partnership firm is governed by the Indian partnership act, 1932	Companies are governed mainly by the provisions of the companies act, 1956
Registration with the registrar of firms is only optional	Registration with the registrar of companies is compulsory
Minimum- 2 Maximum= 10 for banking and 20 for non banking business	Mini 2 Private Ltd Public Ltd 7 Max 50 P Ltd No limit Public Ltd
Partnership firm has no separate existence .	It is an artificial person created by law
The liability of a partner is joint, several and unlimited.	The liability of the share holder is limited to the unpaid amount of shares held.
A partner cannot transfer his interest in the firm without the consent of all other partners.	In a public limited company, shares are freely transferable.
Management of a firm is carried on by all or by any of them acting for all.	Direct participation of shareholders in the management of the company is not allowed.
A partnership firm is not stable.	A company is stable as it is totally unaffected by any such contingencies
In a partnership only individuals can become its members	In a company, an institution can also become a member by purchasing its shares.
Audit of accounts is not required	It is essential for every company to get its accounts annually audited.
Partnership can be mutually dissolved at any time.	Legal formalities for winding up are many.

67.(b) Discuss the powers of directors and restrictions placed on them.

A. General Powers The Board of directors of a company is entitled to exercise all such powers and to do all such acts and things as the company is authorized to do. However the Board shall not do any act which is To be done by the company in general meeting. **B. Statutory Powers** By means of resolutions passed at the Board meetings, the following powers can be exercised by the directors: i. To make calls ii. To issue debentures iii. To borrow money otherwise than on debentures iv. To invest the funds of the company v. To make loans

C. Other Powers to be exercised at Board Meetings i. To fill up casual vacancy in the office of directors ii. To appoint additional directors, if authorized by the articles iii. To appoint an alternate director if authorized by the articles iv. To accord sanction to contracts in which any director or his relative is interested a. General powers b. Statutory powers c. Other powers to be exercised at the board meeting d. Restrictions on the powers of direction v. To recommend a certain rate of dividend to be declared at the annual general meeting vi. To make investments in the companies in the same group vii. To appoint the first auditors of the company viii. To fill up the casual vacancy in the office of an auditor not caused by resignation. **D. Restrictions on the powers of directors** The following powers cannot be exercised by the Board without the consent of the shareholders in the general meeting. i. To sell, lease or otherwise dispose of the whole or substantially the whole of the undertaking of the company. ii. To extend time for repayment of any debt due by a director. iii. To borrow money where the money to be borrowed together with that already borrowed is in excess of the aggregate of the paid up capital and free reserves. iv. To contribute to charitable funds in excess of the prescribed limit.

Note: For any further clarifications or doubts Teachers are kindly requested to refer the Key given in the Valuation Camp www.maduracommerce.com