

# VERY SHORT ANSWER QUESTIONS

Q1] DEFINE BUSINESS.

ANS. DEFINITION OF BUSINESS: ACCORDING TO L.H. HANEY, BUSINESS CAN BE DEFINED AS A “HUMAN ACTIVITY DIRECTED TOWARDS PRODUCING OR ACQUIRING WEALTH THROUGH BUYING AND SELLING OF GOODS.”

THEREFORE BUSINESS CAN BE DEFINED AS AN ECONOMIC ACTIVITY WHICH INVOLVES REGULAR EXCHANGE OF GOODS OR SERVICES FOR A PRICE WITH AN OBJECTIVE OF EARNING PROFITS AND ACQUIRING WEALTH BY SATISFYING HUMAN WANTS.

Q2] DEFINE PROFESSION.

ANS. PROFESSION: PROFESSION IS AN OCCUPATION REQUIRING SPECIALIZED EDUCATION. IN OTHER WORDS PROFESSION REFERS “TO A BODY OF PEOPLE IN A LEARNED OCCUPATION.”

FOR EXAMPLE, A LAWYER IS ENGAGED IN LEGAL ADVISORY SERVICES FOR A FEE. SIMILARLY A DOCTOR TREATS PATIENTS AND CHARTERED ACCOUNTANT RENDERS SERVICES TO HIS CLIENTS LIKE AUDITING, TAX PLANNING, FINANCIAL PLANNING ETC. FOR WHICH HE GETS PAID.

Q3] DEFINE EMPLOYMENT.

ANS. EMPLOYMENT: AN EMPLOMENT IS A CONTRACT OF SERVICE. A PERSON WHO WORKS UNDER THE CONTRACT FOR A SALARY IS CALLED AS “EMPLOYEE” AND THE PERSON WHO HAS GIVEN THE JOB TO EMPLOYEE IS CALLED “EMPLOYER”. AN EMPLOYEE WORKS AS PER THE RULES MADE BY EMPLOYER. THE RELATIONSHIP BETWEEN EMPLOYER AND EMPLOYEE IS THAT OF MASTER AND SERVANT.

Q4] COMMERCE.

ANS. MEANING OF COMMERCE: COMMERCE IS THAT PART OF BUSINESS THAT IS CONCERNED WITH EXCHANGE OF GOODS AND SERVICES AND INCLUDES ALL THOSE ACTIVITIES WHICH DIRECTLY OR INDIRECTLY FACILITATE THAT EXCHANGE.

DEFINITION OF COMMERCE: COMMERCE CAN BE DEFINED AS “THE SUM TOTAL OF ALL THOSE PROCESSES WHICH ARE ENGAGED IN REMOVAL OF HINDRANCES OF PERSON, PLACE AND TIME IN EXCHANGE OF COMMODITIES.”

Q5] ENTREPOT TRADE.

ANS. ENTREPOT TRADE: IT MEANS IMPORTING (BUYING) FROM ONE COUNTRY FOR THE PURPOSE OF EXPORTING (SELLING) THEM TO ANOTHER COUNTRY. THIS TYPE OF TRADE IS ALSO CALLED AS RE-EXPORT TRADE.

Q6] GENETIC INDUSTRIES.

ANS. GENETIC INDUSTRY: GENETIC INDUSTRIES ARE ENGAGED IN RE-PRODUCTION AND MULTIPLICATION OF CERTAIN SPECIES OF PLANTS AND ANIMALS WITH AN OBJECT OF SALE. THE MAIN AIM IS TO EARN PROFIT FROM SUCH SALE. E.G. PLANT NURSERIES, POULTRY, CATTLEBREEDING ETC.

Q7 A] KARTA.

ANS. KARTA: IN JOINT HINDU FAMILY (JHF) BUSINESS, WHERE IN FAMILY MEMBERS OF THREE SUCCESSIVE GENERATIONS OWN THE BUSINESS JOINTLY AND WHEREIN ALL THE MANAGEMENT VESTS IN THE HANDS OF SENIOR MOST MEMBER OF THE FAMILY (THE HEAD OF THE FAMILY) SUCH HEAD OF THE FAMILY IS KNOWN AS "KARTA". HE CAN MANAGE BUSINESS AS PER HIS WILL, HE CANNOT BE QUESTIONED BY ANY OTHER FAMILY MEMBER.

Q7 B] COPARCENERS: THE OTHER MEMBERS OF JOINT HINDU FAMILY ARE CALLED AS "CO-PARCENERS". ALL OF THEM HAVE EQUAL OWNERSHIP RIGHT OVER PROPERTIES OF BUSINESS. IF THEY ARE NOT SATISFIED WITH THE DECISIONS OF KARTA, THE ONLY REMEDY AVAILABLE TO THEM IS TO GET DISSOLVED HUF STATUS BY MUTUAL AGREEMENT.

Q8 A] MITAKSHARA.

ANS. JOINT HINDU FAMILY BUSINESS IS GOVERNED BY TWO LAWS I.E. "DAYABHAGA" AND "MITAKSHARA".

MITAKSHARA: THIS SCHOOL OF HUF PREVAILS IN ENTIRE INDIA EXCEPT IN ASSAM AND WEST BENGAL. FAMILY MEMBERS OF MALE LINE AND THEIR WIVES, UNMARRIED DAUGHTERS ARE ITS MEMBERS. BY BIRTH A MEMBER GETS A SHARE IN COMMON PROPERTY AND IT CONTINUES TILL DEATH. IN THIS WAY, SHARES IN PROPERTY GETS FLUCTUATE IN ACCORDANCE WITH NUMBER OF COPARCENERS. IN OTHERWORDS, LIVING MEMBERS WILL HAVE RIGHT IN JOINT PROPERTY.

Q8 B] DAYABHAGA.

ANS. JOINT HINDU FAMILY BUSINESS IS GOVERNED BY TWO LAWS I.E. "DAYABHAGA" AND "MITAKSHARA".

DAYABHAGA: THIS SCHOOL OF HINDU LAW PREVAILS ONLY IN ASSAM AND WEST BENGAL. ALL PROVISIONS OF MITAKSHARA HOLD GOOD EXCEPT SOME FEATURES. UNDER THIS, RIGHT OF PROPERTY COMES TO COPARCENERS BY SUCCESSION AND NOT BY BIRTH. SHARES/CLAIM DOES NOT FLUCTUATE ON THE BASIS OF BIRTH AND DEATH OF MEMBERS.

UNDER THIS KARTHA HAS ALL RIGHTS ON PROPERTY. THIS RIGHT PASSES ON TO NEXT GENERATION ONLY ON DEATH OF KARTHA.

Q9] PROMOTION.

ANS. PROMOTION: IT IS THE FIRST STEP IN FORMATION OF A COMPANY. IT INVOLVES IDENTIFICATION OF IDEA, GATHERING THE REQUIREMENTS AND IMPLEMENTING IT. PROMOTION IS CONSIDERED AS PUTTING AN IDEA INTO PRACTISE.

PROMOTION IS DEFINED AS ORGANISING AND PLANNING FINANCE OF BUSINESS ENTERPRISE UNDER CORPORATE FORM.

Q10] GOVERNMENT COMPANY.

ANS. GOVERNMENT COMPANY: ANY COMPANY IN WHICH NOT LESS THAN 51 PERCENT OF THE PAID-UP SHARE CAPITAL IS HELD BY THE CENTRAL GOVERNMENT AND OR BY ANY STATE GOVERNMENT OR STATE GOVERNMENTS IS CALLED A GOVERNMENT COMPANY. ONGC, NTPC ARE THE EXAMPLE OF GOVERNMENT COMPANIES.

Q11] MINIMUM SUBSCRIPTION.

ANS. MINIMUM SUBSCRIPTION: THE MINIMUM AMOUNT OF CAPITAL TO BE COLLECTED BY PUBLIC COMPANY BEFORE ITS ALLOTMENT OF SHARES IS CALLED AS MINIMUM SUBSCRIPTION. A PUBLIC COMPANY CANNOT COMMENCE BUSINESS UNLESS A MINIMUM SUBSCRIPTION AS STATED IN THE PROSPECTUS HAS BEEN SUBSCRIBED. THE AMOUNT OF MINIMUM SUBSCRIPTION IS FIXED BY CONSIDERING THE FOLLOWING

1. AMOUNT REQUIRED FOR PURCHASE OF THE PROPERTY.
2. AMOUNT NEEDED FOR PAYMENT OF PRELIMINARY EXPENSES.
3. AMOUNT REQUIRED FOR WORKING CAPITAL.
4. AMOUNT REQUIRED FOR OTHER EXPENDITURE FOR THE FORMATION OF COMPANY.

Q12] DEFINE MOA.

ANS. THE MEMORANDUM OF ASSOCIATION IS THE CONSTITUTION OF THE COMPANY. IT IS THE CHARTER OF THE COMPANY. AS PER SECTION 2 (28) OF THE COMPANIES ACT DEFINES A MEMORANDUM AS “THE MEMORANDUM OF ASSOCIATION OF A COMPANY AS ORIGINALLY FRAMED OR AS ALTERED FROM TIME TO TIME IN PURSUANCE OF ANY PREVIOUS COMPANY LAWS OR OF THIS ACT”.

THE MEMORANDUM OF ASSOCIATION MUST BE SIGNED BY AT LEAST SEVEN MEMBERS IN CASE OF A PUBLIC LIMITED COMPANY AND TWO MEMBERS IN CASE OF A PRIVATE LIMITED COMPANY. IT IS THE BASIC DOCUMENT OF THE COMPANY. IT CANNOT BE CHANGED EASILY. SO IT SHOULD BE PREPARED VERY CAREFULLY.

Q13 A] FIXED CAPITAL.

ANS. FIXED CAPITAL : IN ORDER TO START A BUSINESS, FUNDS ARE REQUIRED TO PURCHASE FIXED ASSETS LIKE LAND AND BUILDING, PLANT AND MACHINERY AND FURNITURES AND FIXTURES. THIS IS KNOWN AS FIXED CAPITAL.

DIFFERENT BUSINESSES NEED DIFFERENT AMOUNT OF FIXED CAPITAL DEPENDING UPON VARIOUS FACTORS SUCH AS NATURE OF THE BUSINESS, SIZE OF THE BUSINESS ETC. FOR INSTANCE, THE NEED FOR FIXED CAPITAL INVESTMENT WOULD BE GREATER FOR A LARGE BUSINESS ENTERPRISE AS COMPARED TO THAT OF SMALL BUSINESS ENTERPRISE.

Q13 B] WORKING CAPITAL.

ANS. WORKING CAPITAL: NO MATTER HOW SMALL OR LARGE A BUSINESS IS, IT NEEDS FUNDS FOR ITS DAY TO DAY OPERATIONS. THIS IS KNOWN AS WORKING CAPITAL OF AN ENTERPRISE WHICH IS USED FOR HOLDING CURRENT ASSETS LIKE STOCK, BILLS RECEIVABLE, AND FOR MEETING EXPENSES LIKE WAGES, SALARIES, TAXES, AND RENT.

THE AMOUNT OF WORKING CAPITAL REQUIRED VARIES FROM ONE BUSINESS ENTERPRISE TO ANOTHER DEPENDING UPON VARIOUS FACTORS. FOR INSTANCE, A BUSINESS UNIT SELLING GOODS ON CREDIT OR HAVING LOW SALES TURNOVER WOULD REQUIRE MORE WORKING CAPITAL AS COMPARED TO A CONCERN SELLING ITS GOODS AND SERVICES ON CASH BASIS OR HAVING A HIGH TURNOVER.

Q14] CERTIFICATE OF COMMENCEMENT OF BUSINESS.

ANS. CERTIFICATE OF COMMENCEMENT OF BUSINESS: A PUBLIC LIMITED COMPANY CANNOT COMMENCE (START) ITS BUSINESS UNLESS IT HAS RECEIVED THE CERTIFICATE OF COMMENCEMENT OF BUSINESS. THIS CERTIFICATE IS NOT NECESSARY FOR PRIVATE LIMITED COMPANY. THE REGISTRAR OF COMPANY ISSUES THIS CERTIFICATE ONLY WHEN ALL THE LEGAL DOCUMENTS ARE SUBMITTED AND IT IS ISSUED ONLY ON THE CONFIRMATION OF COLLECTION OF MINIMUM SUBSCRIPTION.

Q15 A] MEDIUM TERM FINANCE.

ANS. MEDIUM TERM FINANCE: WHERE THE FUNDS ARE REQUIRED FOR A PERIOD OF MORE THAN ONE YEAR AND LESS THAN A PERIOD OF FIVE YEARS MEDIUM TERM SOURCES OF FINANCE ARE USED. THESE SOURCES INCLUDE BORROWINGS FROM COMMERCIAL BANKS, PUBLIC DEPOSITS, LEASE FINANCING, AND LOANS FROM FINANCIAL INSTITUTIONS.

Q15 B] SHORT TERM FINANCE.

ANS. SHORT TERM FINANCE: SHORT TERM FUNDS ARE THOSE WHICH ARE REQUIRED FOR A SHORT DURATION THAT IS A PERIOD NOT EXCEEDING ONE YEAR. TRADE CREDIT LOAN FROM COMMERCIAL BANKS, BANK OVERDRAFT, CASH CREDIT, AND COMMERCIAL PAPERS ARE SOME OF THE EXAMPLES OF SHORT TERM FINANCE.

Q16] BUSINESS FINANCE.

ANS. THE REQUIREMENTS OF FUNDS BY BUSINESS FIRM TO ACCOMPLISH ITS VARIOUS ACTIVITIES IS CALLED AS BUSINESS FINANCE. FINANCE IS CONSIDERED AS LIFE BLOOD OF ANY ORGANISATION. THE SUCCESS OF AN INDUSTRY DEPENDS UPON AVAILABILITY OF ADEQUATE FINANCE. BUSINESS FINANCE DEALS WITH PROCUREMENT OF FUNDS AND THEIR EFFECTIVE UTILISATION. AS SOON AS AN ENTREPRENEUR STARTS THE BUSINESS, THE NEED FOR BUSINESS FINANCE EMERGES.

Q17] RETAINED EARNINGS.

ANS. RETAINED EARNINGS: A COMPANY GENERALLY DOES NOT DISTRIBUTE ALL OF ITS EARNINGS AMONGST THE SHARE HOLDERS AS DIVIDENDS. A PORTION OF THE NET EARNINGS MAY BE RETAINED INTO THE BUSINESS FOR USE IN FUTURE. THIS IS KNOWN AS RETAINED EARNINGS. IT IS A SOURCE OF INTERNAL FINANCING OR SELF FINANCING OR PLOUGHING BACK OF PROFITS.

Q18] DEBENTURES.

ANS. DEBENTURES: DEBENTURES ARE AN IMPORTANT INSTRUMENT FOR RAISING LONG TERM DEBT. A COMPANY CAN RAISE FUNDS THROUGH ISSUE OF DEBENTURES. THE DEBENTURES ISSUED BY A COMPANY IS AN ACKNOWLEDGEMENT THAT THE COMPANY HAS BORROWED A CERTAIN AMOUNT OF MONEY WHICH IT PROMISES TO REPAY ON A FUTURE DATE.

DEBENTURES HAS A FIXED RATE OF INTEREST AND THEREFORE DEBENTURE HOLDERS ARE CALLED AS CREDITORS OF THE COMPANY. DEBENTURE HOLDERS ARE PAID A FIXED AMOUNT OF INTEREST AT SPECIFIED TIME INTERVALS SAY SIX MONTHS OR ONE YEAR.

Q19] BANK LOAN

ANS. BANK LOANS ARE PROVIDED FOR A SPECIFIC SHORT PERIOD. THE AMOUNT OF LOAN DEPENDS UPON THE SIZE AND GOODWILL OF THE FIRM. SUCH ADVANCE IS CREDITED TO A SEPARATE LOAN ACCOUNT AND THE BORROWER HAS TO PAY INTEREST ON THE WHOLE AMOUNT OF LOAN IRRESPECTIVE OF THE AMOUNT OF LOAN ACTUALLY GRANTED. BANK LOANS ARE USUALLY GRANTED AGAINST THE SECURITY OF ASSETS.

Q20] COMMERCIAL BANKS.

ANS. COMMERCIAL BANKS: BANKS EXTEND LOANS TO FIRMS OF ALL SIZES AND IN MANY WAYS LIKE CASH CREDIT, OVERDRAFT, TERM LOANS, PURCHASING AND DISCOUNTING BILLS, AND ISSUE OF LETTER OF CREDIT. THE LOAN IS REPAYED EITHER IN LUMP SUM OR IN INSTALLMENT.

MERITS OF COMMERCIAL BANKS:

1. BANK PROVIDE FUNDS AS AND WHEN NEEDED.
2. SECRECY OF BUSINESS CAN BE MAINTAINED AS THE INFORMATION SUPPLIED TO THE BANK BY THE BORROWER IS KEPT CONFIDENTIAL.

DEMERITS OF COMMERCIAL BANKS:

1. FUNDS ARE GENERALLY AVAILABLE FOR SHORT PERIOD AND ITS EXTENSION OR RENEWAL IS DIFFICULT.
2. BANKS MAKE DETAILED INVESTIGATIONS OF THE COMPANIES FINANCIAL STRUCTURE.
3. BANK MAY ALSO ASK FOR SECURITY OF ASSETS AND PERSONAL SURETIES. THIS MAKES THE PROCEDURE OF OBTAINING FUNDS SLIGHT DIFFICULT.

Q21] MANUFACTURING ENTERPRISES & SERVICE ENTERPRISES.

ANS. MANUFACTURING ENTERPRISES: MANUFACTURING ENTERPRISES ARE THOSE BUSINESS ENTERPRISES WHICH ARE ENGAGED IN THE MANUFACTURING OR PRODUCTION OF GOODS OR COMMODITIES. THESE ENTERPRISES INVOLVE IN CONVERTING RAW MATERIALS INTO FINISHED PRODUCTS BY USING PLANT AND MACHINERY.

SERVICE ENTERPRISES: THE ENTERPRISES INVOLVED IN RENDERING SERVICES ARE CALLED AS SERVICE ENTERPRISES.

Q22] GLOBALISATION.

ANS. GLOBALISATION REFERS TO INCREASING INTEGRATION OF MARKETS (EXCHANGE) AND PRODUCTION, AND INCLUDE RESOURCES LIKE LABOUR, CAPITAL ETC.

Q23] DEFINE FDI.

ANS. FDI STANDS FOR FOREIGN DIRECT INVESTMENT. FDI IS THE CONTROL OF PRODUCTION WHICH TAKES PLACE IN ONE COUNTRY (HOST COUNTRY) BY A FIRM BASED IN OTHER COUNTRY(HOME COUNTRY). FDI OCCURS WHEN A FIRM INVESTS ITS RESOURCES IN BUSINESS ACTIVITIES OUTSIDE ITS HOME COUNTRY.

Q24] E – BUSINESS.

ANS. THE TERM “E – BUSINESS” WAS FIRST USED BY IBM IN 1997. IT DEFINED E – BUSINESS AS “THE TRANSFORMATION OF KEY BUSINESS PROCESSES THROUGH USE OF INTERNET TECHNOLOGIES.” E- BUSINESS USES WEB BASED TECHNOLOGY TO IMPROVE RELATIONSHIPS WITH CUSTOMERS.

INDIA, AT PRESENT IS THE WORLD’S THIRD LARGEST INTERNET MARKET, WITH 10 CRORE INTERNET USERS.

Q25] E – BANKING.

ANS. ELECTRONIC BANKING IS ONE OF THE MOST SUCCESSFUL ONLINE BUSINESS. ONLINE BANKING ALLOWS THE CUSTOMERS TO GET THEIR MONEY FROM AUTOMATED TELLER MACHINE, INSTEAD OF WALKING UPTO CASH DESK IN THE BANK, TRANSFER FUNDS AND PAY BILLS. EXAMPLE, NET BANKING.

Q26] E – COMMERCE.

ANS. E – COMMERCE IS THE SHORT FORM FOR “ELECTRONIC COMMERCE.”  
TRANSACTIONING BUSINESS THROUGH INTERNET IS CALLED AS E – COMMERCE. BUYING  
AND SELLING OF GOODS ONLINE IS AN EXAMPLE OF E – COMMERCE.

Q27] PROMOTER.

ANS. A PROMOTER IS ONE WHO UNDERTAKES TO FORM A COMPANY. HE IS  
INSTRUMENTAL IN BRINGING A COMPANY INTO EXISTENCE. PROMOTOR MAY BE AN  
INDIVIDUAL, FIRM, AN ASSOCIATION OF PERSONS OR A COMPANY. PROMOTOR BRINGS  
MEN, MONEY, MACHINERY, MATERIAL TOGETHER FOR ESTABLISHING ENTERPRISE.

Q28] CERTIFICATE OF INCORPORATION.

ANS. INCORPORATION CERTIFICATE: IF THE REGISTRAR IS SATISFIED WITH ALL THE  
STATUTORY REQUIREMENTS STATED AND SUBMITTED ARE COMPLIED WITH UNDER  
THE ACT, ISSUES A CERTIFICATE CALLED “CERTIFICATE OF INCORPORATION”. WITH  
THE RECEIPT OF THIS CERTIFICATE, THE COMPANY GETS ITS RECOGNITION AS A  
CORPORATE BODY.

A PRIVATE COMPANY CAN START ITS BUSINESS AS SOON AS IT GETS THE  
INCORPORATION CERTIFICATE. BUT A PUBLIC COMPANY SHOULD WAIT TILL IT GETS  
CERTIFICATE OF COMMENCEMENT OF BUSINESS TO START THE BUSINESS.

Q29] E – AUCTIONING.

ANS. E – AUCTIONING ENABLES THE PEOPLE TO PARTICIPATE IN THE AUCTIONING  
WITHOUT SACRIFICING THEIR PERSONAL TIME. IN E – AUCTIONING THE PEOPLE, WHO  
WANT TO PARTICIPATE IN AUCTION, VISIT THE WEBSITE WITH A CLICK AND GET  
DETAILS OF GOODS OFFERED FOR AUCTION AND PARTICIPATE IN AUCTION. EXAMPLE,  
BANK AUCTION TENDERS.

Q30] PUBLIC DEPOSITS.

ANS. PUBLIC DEPOSITS: THE DEPOSITS THAT ARE RAISED BY ORGANISATION DIRECTLY  
FROM THE PUBLIC ARE KNOWN AS PUBLIC DEPOSITS. ANY PERSON WHO IS INTERESTED  
IN DEPOSITING MONEY IN AN ORGANISATION CAN DO SO BY FILLING UP A PRESCRIBED  
FORM. THE ORGANISATION IN RETURN ISSUES A DEPOSIT RECEIPT AS  
ACKNOWLEDGEMENT OF THE DEBT.

THE DEPOSITS ARE BENEFICIAL TO BOTH THE DEPOSITOR AS  
WELL AS THE ORGANISATION BECAUSE THE DEPOSITOR GETS HIGHER RATE OF  
INTEREST THAN OFFERED BY BANK AND THE COST OF DEPOSIT TO THE COMPANY IS  
LESS THAN THE COST OF BORROWING FROM BANK. COMPANIES GENERALLY INVITE  
PUBLIC DEPOSITS UP TO THREE YEARS. THE ACCEPTANCE OF PUBLIC DEPOSITS IS  
REGULATED BY RESERVE BANK OF INDIA.

Q31] PARTNERSHIP DEED.

ANS. PARTNERSHIP DEED IS A DOCUMENT CONTAINING TERMS AND CONDITIONS OF PARTNERSHIP. IT IS AN AGREEMENT IN WRITING SIGNED BY ALL PARTNERS DULY STAMPED AND REGISTERED. THE PARTNERSHIP DEED DEFINES CERTAIN RIGHTS, DUTIES, AND OBLIGATIONS OF PARTNERS AND GOVERNS RELATIONS AMONG THEM. ITS NOT A PUBLIC DOCUMENT. THE PARTNERSHIP DEED MUST NOT CONTAIN ANY TERM WHICH IS CONTRARY TO THE PROVISIONS OF PARTNERSHIP ACT. THE DEED HAS TO BE STAMPED IN ACCORDANCE WITH INDIAN STAMPS ACT 1899. EACH PARTNER SHOULD HAVE A COPY OF THE PARTNERSHIP DEED. FOLLOWING ARE SOME OF THE POINTS INCLUDED IN THE DEED:

- 1) NAME OF THE FIRM
- 2) NAME AND ADDRESS OF THE PARTNERS
- 3) NATURE OF THE BUSINESS
- 4) LOCATION OF THE BUSINESS
- 5) DURATION OF PARTNERSHIP, IF DECIDED ETC.



