

**Maharashtra State Board**  
**Organisation of Commerce & Management**  
**Sample Question Paper – 1**  
**Academic Year: 2024-2025**

**Note:**

1. ALL questions are compulsory.
2. Figures to the right indicate full marks for the questions.
3. Figures to the Left indicate question numbers.
4. Answer to every question must be started on a new page.

**Q1.A | Select the correct option and rewrite the sentences:**

**1.A.1. Start-Up India is an initiative of the \_\_\_\_.**

1. RBI

**2. Government of India**

3. World Bank

**Solution:**

Start-Up India is an initiative of the **Government of India.**

**Explanation:** Start-up India is an initiative of the Government of India. It was launched in 2016. It aims at building an ecosystem that will nurture start-ups in the country. So that, sustainable economic growth and large-scale employment opportunities can be generated.

**1.A.2. The President of District Forum is \_\_\_\_.**

**1. District Judge**

2. High Court Judge
3. Supreme Court Judge

**Solution:**

The President of District Forum is **District Judge.**

**1.A.3. Select the proper option from the options given below and rewrite the completed sentence.**

Postal services are administered by \_\_\_\_.

1. Private companies

**2. Government of India**

3. Panchayat

**Solution:**

Postal services are administered by the **Government of India.**

**Explanation:** Postal services come under the Ministry of Communication and Information Technology; they are administered by the Government of India. They provide services at rates easily affordable by everyone.

**1.A.4. The business should provide periodic information to \_\_\_\_.**

1. Customers

**2. Owners**

3. Employees

**Solution:**

Business should provide periodic information to **owners.**

**1.A.5. In the \_\_\_\_ concept of market, the emphasis is given to the 'buying and selling of goods or services'.**

1. Place

2. Exchange

3. Customer

**4. Commodity**

**Solution:**

In the **commodity** concept of the market, the emphasis is given to the 'buying and selling of goods or services'.

**Explanation:**

In this concept, the process of buying and selling goods or services is important and not the place of exchange. In this process, the buyer and seller and the commodity exchanged among them play an important role.

**Q1.B | Give one word or phrase for the following sentences:**

**1.B.1. Write a word/term/phrase for the following sentence.**

Giving of distinct name to one's product.

**Solution:**

Branding

**1.B.2. Give one word/phrase/term for the following sentence.**

Organizations aim at promoting the welfare of the people.

**Solution:**

Non-Government Organisation

**1.B.3. Write a word or phrase a term that can substitute the following:**

An employee who has the authority and support of the organization to implement his creative ideas.

**Solution:**

Intrapreneur

**1.B.4. Henry Fayol has proposed 15 principles of management.**

1. True

2. False

**Solution:**

This statement is **False**.

**1.B.5. Give one Word/Phrase/Term for the following statement.**

It increases the team spirit of the workplace.

**Solution:**

Co-ordinating

**1.C | True or false:**

**1.C.1. The term e-business came into existence in the year 1998.**

1. True

2. False

**Solution:**

This statement is False.

**1.C.2. The Internet is the global system of interconnected computer networks that use the Internet protocol suite to link devices worldwide.**

1. True

2. False

**Solution:**

This statement is **True**.

**1.C.3. Lok Adalat is also referred to as the 'People's Court'.**

1. True

2. False

**Solution:**

This statement is **True**.

**1.C.4. Monopoly refers to a market situation when there is a single buyer of a commodity or service.**

1. True

2. False

**Solution:**

This statement is False.

**1.C.5. The task of getting things done by others is known as management.**

1. True

2. False

**Solution:**

This statement is **True**.

**Explanation:** Management is often included as a factor of production. It harmonizes all functions of a business organization, such as planning, organizing, staffing, coordinating and controlling, which are management tasks.

**1.D | Match the pairs:**

**Match the pairs:**

Group 'A'	Group 'B'
A) E-business	1) Consumer to consumer
B) B2C	2) Exist everywhere
C) Outsourcing	3) First step
D) Digital cash	4) Business to Consumer
E) Registration	5) Electronic business
	6) BPO
	7) RTO
	8) Efficient business
	9) Exist only in cyberspace
	10) Last step

**Solution:**

Group 'A'	Answers
A) E-business	5) Electronic business
B) B2C	4) Business to Consumer
C) Outsourcing	6) BPO
D) Digital cash	9) Exist only in cyberspace
E) Registration	3) First step

**Q2 | Explain the following terms/concepts in detail (Any 4 out of 6):**

**2.A. Explain the following term/concept in detail.**



## Entrepreneur

### **Solution:**

The concept of an entrepreneur varies from industry to industry, country to country as well as from time to time. Economists never had a consistent definition of "Entrepreneur" or "entrepreneurship". The word "entrepreneur" comes from the French verb *entreprendre*. it means "to undertake". An entrepreneur is "a person who starts a business and is willing to risk Loss in order to make money". The common keywords 'businesses' and 'risk' are interrelated. If there is no real business or risk, a person cannot be called an entrepreneur. Entrepreneurs are passionate to innovate. Lead, invent or pioneer a disruptive product or technology. The size of the business, the type of work involved, the age or the formal education of the entrepreneur, etc. does not restrict the entry of the entrepreneur. Similarly, the label of success or failure also does not matter.

### **2.B. Distinguish between Life Insurance and Marine Insurance.**

### **Solution:**

Sr. no.	Points	Life Insurance	Marine Insurance
1.	<b>Meaning:</b>	A contract whereby the insurance company undertakes to pay a certain sum of money either on death or maturity (whichever is earlier) for a consideration (premium)	A contract whereby the insurance company undertakes to pay compensation to an insured in case of loss to him due to dangers (perils) of the sea.
2.	<b>Policy taken by:</b>	It can be taken by an individual for his own life or for his family members.	It can be taken by exporters, importers, and shipping companies, etc.
3.	<b>Subject matter:</b>	In life insurance, the life of the insured is a subject matter	In Marine insurance, goods in the ship, cargo, and freight are the subject matter.
4.	<b>Insurable interest:</b>	It must exist at the time of the contract.	It must exist at the time of contract and also at the time of loss.

5.	<b>Tenure:</b>	The policy can be issued for any number of years, even until the death of the assured.	It is generally for a short period and may range from one month to a year. Normally it does not exceed one year.
6.	<b>Compensation:</b>	It is paid either on death or maturity whichever is earlier.	It is paid only if there is a loss-causing event during the term of the policy.
7.	<b>Principle of Indemnity:</b>	It is not applicable as human life cannot be valued in terms of money for calculating the actual loss.	It is applicable as the insurance company compensates for the financial loss and the insured is brought back to the same financial condition that he was before the event.
8.	<b>Number of policies:</b>	Insured can take any number of policies on the same life. Compensation is paid on all the policies.	Generally, only one policy can be taken. However, double insurance is possible. However, compensation does not exceed the actual loss.
9.	<b>Beneficiary:</b>	The beneficiary can be insured (if he survives the selected term) or else the nominee or the legal heir on the death of the assured.	The beneficiary is the insured person or company.
10.	<b>Surrender of policy:</b>	The policy can be surrendered before the expiry of the term, subject to certain conditions.	It cannot be surrendered.

## 2.C. Explain the following term/concept in detail.

Imperfect Market

**Solution:**

An imperfect Market refers to a market situation that is characterised by market imperfection such as a single seller, maladjustment in demand and supply, imperfect knowledge on the part of buyers or sellers, etc.

**2.D. Explain the following term/concept in detail.**

Central Bank

**Solution:**

The central bank is the apex financial institution in the banking industry in the country. Every country has its own central bank. In India, The Reserve Bank of India (RBI) is the central bank. The RBI was established in 1935 under the Reserve Bank of India Act, of 1934. Some functions of RBI are as follows:

- a. Frames monetary policy
- b. Issues currency notes
- c. Acts as a banker to the Government.
- d. Acts as a banker's bank to commercial and other banks in India.

**2.E. Explain the following term/concept in detail.**

Consumer Welfare Fund

**Solution:**

Department of Consumer Affairs has created a consumer Welfare Fund for providing financial assistance to strengthen the voluntary consumer movement, particularly in rural areas. This fund is used for training and research in consumer education, complaint handling, counseling and guidance mechanisms, product testing labs, and so on.

**2.F. Explain the following term/concept:-**

Start-ups

**Solution:**

Start-up India is an initiative of the Government of India. It was launched in 2016. It aims at building an ecosystem that will nurture start-ups in the country. So that, sustainable economic growth and large-scale employment opportunities can be generated. A start-up is defined as an entity having its headquarters in India, which was opened less than 10 years ago, and has an annual turnover of less than ₹100



crores. Under this initiative, the government has already launched the I:MADE program. to help Indian entrepreneurs to build 10 lakh mobile app start-ups. The MUDRA Bank's scheme (Pradhan Mantri Mudra Yojana) is an initiative by Indian Government that aims to provide micro-finance, low-interest rate loans to entrepreneurs from low socio-economic backgrounds.

**Q3 | Study the following case/situation and express your opinion (Any 2):**

**3.A. Study the following case/situation and express your opinion.**

Yash Ltd. is providing facilities for their female staff like a daycare centre for kids and work from home. Management also takes suggestions even though they are a member of trade unions, by doing this, Yash Ltd. is following social responsibilities towards which interest groups?

**Solution:**

Yash Ltd is showing responsibility toward employees. Employees are the human resources of the organization. They must be treated with dignity and respect. The management and employees should develop mutual understanding and trust. The government has passed various labour laws to safeguard the interest of employees.

**3.B. Study the following case/situation and express your opinion.**

Ram purchases a watch from Titan shop and his friend sham purchases a watch from an online shopping site.

- a. Which shopping is from a traditional business?
- b. Which shopping is from e-business?
- c. Which business involved high risk?

**Solution:**

- a. Ram buying a watch from Titan shop is an example of a traditional business.
- b. Sham's purchase of a watch from an online shopping site is an example of e-commerce.
- c. E-business sites are high risk because Sham has no direct contact with the e-business owners.

**3.C. Study the following case/situation and express your opinion.**

Ms. Nikisha has started a new business three years ago. Her customers are located in different parts of the country and hence they are directly depositing bill amounts in her

business account. At the same time, she used to pay various payments from this account only.

- a. Identify the type of account maintained by Ms. Nikisha.
- b. Suggest any one modern way of money transfer to Ms. Nikisha.
- c. What kind of facility does she get on her bank account?

**Solution:**

- a. Ms. Nikisha's type of account is a current account.
- b. NEFT is an abbreviation for National Electronic Funds Transfer. Funds are transferred electronically from one branch to another or from one bank to another in the country under this system. The client must provide information such as the branch's NEFT code and the account number of the beneficiary to whom the funds are to be transferred.
- c. On their current account, an overdraft facility is available. Every month, banks provide a statement of account for the current account.

**Q4 | Distinguish between (Any 3):**

**4.A. Distinguish Between:**

Fire Insurance and Marine Insurance

**Solution:**

Basis of Difference	Fire Insurance	Marine Insurance
1. Meaning	It is a contract in which the insurer promises to pay compensation to the insured if something happens to the subject matter due to fire or related events.	It is a contract whereby the insurance company undertakes to pay compensation to the insured in case of loss to him due to dangers (perils) of the sea.
2. Policy taken by	It can be taken by individuals for their properties or by businessmen for their goods, properties, and business liabilities.	It can be taken by exporters, importers and shipping companies, etc.

3. Subject matter	In fire insurance, the goods and assets or property of the insured are the subject matter.	In marine insurance, goods in the ship, cargo, and freight are the subject matter.
4. Insurable Interest	It must exist at the time of contract and also at the time of loss.	It must exist at the time of contract and also at the time of loss.
5. Compensation	Compensation is paid only in the event of a loss due to fire. Nothing is paid otherwise.	Compensation is paid only in the event of loss due to marine perils. Nothing is paid otherwise.
6. Duration	It does not generally exceed one year.	It is generally done for one year or for the period of voyage.
7. Principle of Indemnity	It is applicable as the insurance company compensates for the financial loss and the insured is brought back to the same financial condition that he was in before the event	It is applicable as the insurance company compensates for the financial loss and the insured is brought back to the same financial condition that he was in before the event.
8. Insurable interest	Insurable interest must exist at the time of taking the policy and also at the time of receiving the claim.	Insurable interest must exist at the time of receiving the claim or at the time of loss only.
9. Number of Policies	Generally, only one policy can be taken but double insurance is possible. However, compensation does not exceed the actual loss.	Generally, only one policy can be taken but double insurance is possible. However, compensation does not exceed the actual loss
10. Tenure	It is generally for a short period like one year.	It is generally for a short period and may range from one month to a year. Normally it does not exceed one year.

11. Principle of Indemnity	It is applicable as the insurance company compensates for the financial loss and the insured is brought back to the same financial condition that he was in before the event.	The company compensates for the financial loss and the insured is brought back to the same financial condition that he was in before the event. It is applicable as the insurance company compensates for the financial loss and the insured is brought back to the same financial condition that he was in before the event.
12. Beneficiary	The beneficiary is the insured who has insured the property or goods.	The beneficiary is the insured person or company.

#### 4.B. Distinguish Between the following:

Planning & Co-ordinating.

#### **Solution:**

Basis	Planning	Co-ordination
Meaning	Planning is a the psychological process of thinking and deciding in advance what is to be done and how it is to be done.	Coordination is the process of achieving goals by establishing harmony and integrity among people in the organization.
Objective	To set goals and choose the means to achieve them.	To ensure smooth functioning of the organization.
Level of management	Plans are formulated by the top-level management.	Coordination is required at all levels of management.
Order	It is the first function of management.	It is the fifth function of management; it comes after planning, organizing, staffing, and directing.



Factors	Internal and external factors are considered while setting goals.	It focuses on the internal environment of the organization.
Area of function	It includes setting objectives by identifying the ways of attaining the goal and selecting the best plan.	It includes integration of efforts of top level, middle level, and lower level.
Resources	Planning is done as per the requirement and availability of resources.	It is related to human resources.
Nature	It is continuous in nature. It exists for the whole life of the organization.	This is a continuous process related to all managerial levels.

#### 4.C. Distinguish between:

Rail Transport and Air Transport

#### **Solution:**

<b>Rail Transport</b>	<b>Air Transport</b>
<b>1. Speed:</b> It has considerable speed since it runs on tracks that rarely get disturbed.	It is the fastest mode of transport.
<b>2. Carrying capacity:</b> It has a huge carrying capacity.	It has limited carrying capacity.
<b>3. Cost:</b> The cost of construction of trains, and railway tracks is high. Also, the maintenance of trains, tracks, and stations is high.	It uses airways that are natural and hence, there is no cost involved. However the huge cost of construction of aircraft involved. These costs are way high compared to other modes of transport.
<b>4. Distance:</b> Recommended for both short and long-distance.	Suitable for long-distance.



<b>5. Charges:</b> Transport charges are relatively low and are fixed according to the distance.	The transport charges are very high.
<b>6. Door-to-door service:</b> It does not provide door-to-door services	It does not provide door-to-door services.
<b>7. Means of Transport:</b> It uses passenger trains and goods trains.	It uses aircraft, helicopters, jets, etc.
<b>8. Suitability:</b> It is suitable for transporting heavy goods in large quantities over long distances.	It is suitable for transporting lightweight perishable and valuable goods to any part of the world.
<b>9. Safety:</b> Goods are kept in locked wagons which provide protection against sun, wind, rain, etc.	Goods are safe as they are specially packed.
<b>10. Accidents:</b> The chances of accidents are less because of the one-way track and good signal system.	The chances of accidents are less because of maintenance and expert pilots.
<b>11. Ownership:</b> Ownership is in the hands of the Government.	It is owned by both the private sector as well as the public sector.

#### 4.D. Distinguish Between:

Staffing and directing

#### Solution:

Points	Staffing	Directing
<b>1. Meaning</b>	The staffing function pertains to the recruitment, selection, development, training, and compensation of subordinate managers.	Directing is the guidance inspiration, the leadership of those men and women constitute the real case responsibilities of management.

<b>2. Objective</b>	To appoint the right type of people in the right positions and the right time.	To direct the subordinates to get the things done in the right manner.
<b>3. Area of function</b>	It includes recruitment, selection, training, development, and compensation of human resources.	It includes instructing, guiding, inspiring, communicating and motivating human resources.
<b>4. Factors</b>	Staffing is mostly concerned with internal factors.	Directing is concerned directly with internal factors i.e. human resources.
<b>5. Order</b>	It follows the organizing function.	It follows organizing and staffing for the execution of planning.
<b>6. Resources</b>	It is the process relating to the organization of human resources.	It gives direction to the employees regarding the use of other resources.
<b>7. Nature</b>	It is a continuous process as it deals with employees i.e. human resources.	This continuous process is necessary for the process of achievement of the goals.
<b>8. level of Management</b>	Middle-level management is related to recruitment, training, and selection Top level is concerned with promotion and compensation.	Middle-level management is involved in directing the employees.

**Q5 | Answer the following questions in brief (Any 2):**

**5.A. State any four rights of the consumer.**

**Solution:**

The success of any campaign depends on the consciousness and awareness of the people for whose cause the movement is organized. Consumer rights play an important role in their protection and safety. The business aim should be to meet the needs of the consumers and to provide full satisfaction. Every consumer should be aware of his rights and use them in his daily life for protection. Consumers have to

fight for their rights and put pressure on businesses, manufacturers, and traders for safeguarding their rights.

**Some of the rights of consumers are as follows:**

1. **Right to Safety:** This right protects consumers against products, production processes, and services that are hazardous to health or life. It includes concern for consumer's long-term interests as well as their immediate requirements. According to this right, the consumer must get full safety and protection for his life and health. This safety should be in relation to medicines, electrical appliances, food, etc. The GOI has given safety standards in the form of AGMARK, ISI, BIS, Hallmark, etc.
2. **Right to Information:** According to this right, a consumer should be provided with adequate information about all aspects of goods and services like price, name of the manufacturer, contents used, batch number if any, date of manufacture and expiry date, user manual, safety instruction, etc. This right also enables the consumer to select the right product or service. It is applicable to food products, medicines, spare parts, or any other consumer products or services.
3. **Right to Choose:** The choices available to Indian consumers across the basket of goods and services have multiplied, like telecommunications, travel and tourism, banking, electronics, fast-moving consumer goods (FMCG), etc. According to this right, a consumer should be given full freedom to select an article as per his requirements, liking and purchasing capacity. The right to choose is related to the concept of a free-market economy. As per this right, the seller can not compel the consumer to buy a particular product and hence monopoly is prevented.
4. **Right to be heard:** Every business organization should listen to and solve the complaints of consumers. According to this right, consumers have the opportunity to voice their complaints to the consumer forum. Consumers also give suggestions to manufacturers or traders on certain matters such as quality, quantity, price, packaging, etc. Now a days, consumers can file online complaints through the portal or mobile applications.
5. **Right to Consumer Education:** Every consumer has the right to know about consumer rights and solutions to their problems. This right creates consumer awareness. An aware consumer can make a rational choice of goods and services and protect his rights and interests from the exploitation of unscrupulous businessmen. Thus, consumer education becomes a priority



concern. It is necessary to give education and training regarding prevailing acts and legal processes. The government, media, and NGOs play vital roles in this regard. E.g., 'Jago Grahak Jago' campaign.

6. **Right to Represent:** The act provides an opportunity for individuals and consumer groups to represent consumer's interests before the consumer forum. The act allows the consumer to be represented by a person who is not a professional advocate. This provision is in recognition of the consumer's right to represent.
7. **Right to Redress:** This right enables the consumer to demand repair or replacement or compensation for defective products and for poor services. According to the Consumer protection Act, three-tier quasi-judicial consumer dispute redressal machinery is established for the settlement of claims, such as the District Commission at the district level, the State Commission at the state level, and the National Commission at the national level. Consumers are protected from business malpractices.
8. **Right to Healthy Environment:** All consumers have a right to a healthy and clean environment. According to this right, the consumer can demand action against the pollution-causing business organizations. All consumers have the right to a healthy and clean environment in the present and future.
9. **Right to Protect from unfair business practices:** As per this right, all consumers are protected against unfair business practices such as black marketing, profiteering, faulty weights and measures, exorbitant prices, adulteration, etc.
10. **Right against spurious goods:** This right is against the marketing of goods that are hazardous to health, spurious, and pose a danger to life itself.

#### **5.B. State the importance of marketing to the firm.**

#### **Solution:**

#### **The importance of Marketing to the Firm is as follows:**

1. **Increases Awareness:**  
Marketing helps in creating awareness about existing products, new arrivals as well as the company which sells a particular product in the market. This raises awareness among potential consumers. It creates a brand image among consumers.

**2. Increases Sales:**

Once marketing creates awareness about the products or services among the consumers, it attracts them to purchase the same. A successful marketing campaign helps to increase the sales of the organization. An increase in sales generates profit for the organization. This income and profit are reinvested in the business to earn more profits in the future. In modern business, the survival of the organization depends on the effectiveness of the marketing function.

**3. Creates Trust:**

People want to buy from a business that has a trustworthy reputation. Creating trust among customers is a time-consuming process. Creating trust among the consumers helps the business to earn loyal customers. Once your business can establish this trust with your clients, it creates customer loyalty. Happy customers enhance the brand image in the market. Effective marketing plays an important role in building a relationship between customers and the organization. Effective pricing policy and timely after-sales services improve the image of the organization. A majority of the activities of marketers are directed toward building the brand equity of the business.

**4. The basis for Making Decisions:**

From the inception of an idea to delivering the final product to the customer, the businessman has to make several decisions. The businessman has to look after many problems such as what, how, and when. How much and for whom to produce? As the scale of operation increases, these decisions become more complex. Marketing helps to make the right decision at right time.

**5. Source of New Ideas:**

Marketing helps businesses to understand the needs of consumers. Feedbacks from the consumers help in the improvement of the existing products. There is a rapid change in the tastes and preferences of people. Marketing helps in understanding these changes. It helps to understand the new demand pattern that emerged in the market. The research and Development department develops products accordingly. The 4Ps of marketing mix i.e. Product, Price, Place, and Promotion play a huge role in product development. Inventions and innovations are taken place as per the need of the research and development team of the business.

**6. Tackling the Competition:**

There is increasing competition in almost all sectors of the economy. It is difficult for any business to create a monopoly on its products and services.



The role of marketing is important to create a brand image in the minds of potential customers. Marketing not only helps to communicate the products and services to the consumers but also motivates them to buy the same. Sound marketing strategies can portray a better image of the business than the competitors. Businesses can take use of modern technology for effective marketing.

### 5.C. Explain the principles of insurance.

#### **Solution:**

**The principles of insurance are as follows:**

- 1. Principle of Utmost good faith:** As per this principle, there must be good faith and honesty between the insurer and the insured. Both of them must also disclose all material facts accurately. Insured must provide complete, clear and correct information of the subject matter while insurer must provide all the relevant information regarding terms and conditions. If complete, correct and clear information is not provided by either sides of the contract, it may result in non-settlement of claim.  
**E.g.:** Suppose a person takes a life insurance policy of ₹ 1 crore and dies a year later due to medical problem which he had not disclosed at the time of taking policy. In this case, the insurer can refuse to give compensation to family members as the person had not disclosed all the facts.
- 2. Principle of Insurable interest:** As per this principle, the insured must have insurable or financial interest in the subject matter of insurance. In simple words, insurable interest exists when insured derives financial or any other kind of benefit from the insured object/person. Insurable interest is applicable to all insurance contracts.  
**E.g.:** i) A person has insurable interest in his own life and property.  
ii) A businessman has insurable interest in the goods he deals and business property.  
iii) In life insurance, the insurable interest refers to the life insured. In case of life insurance policy, insurable interest must exist at the time of taking policy. In fire and marine insurance, it must be present at the time of both, taking policy and occurrence of loss.
- 3. Principle of Indemnity:** To indemnify means to compensate. In insurance terms, indemnify means an assurance (promise) to put the insured in the same financial position as he was before happening of the uncertain event. So, under this principle, insurer agrees to compensate insured for the actual loss

suffered.

The applicability of principle of indemnity is as follows:

In case of fire, marine and general insurance, amount of compensation is limited to the amount assured or actual loss incurred, whichever is less.

**E.g.:** If goods worth ₹ 3 Lac are destroyed and insured value is ₹ 4 Lac, then the insurance company shall pay the insured only ₹ 3 Lac. However, if the insured value is ₹ 2 Lac, it shall pay ₹ 2 Lac only and not ₹ 3 Lac.

ii) Principle of indemnity does not apply to life insurance as the value of human life cannot be assessed in monetary terms. In case of death of insured, the actual sum assured is paid to the nominee.

4. **Principle of Subrogation:** This principle is applicable to all contracts of indemnity. As per this principle, after the insurer pays compensation to the insured, legal right of the insured property gets transferred to the insurer. This principle is applicable only when the damaged property has any value after the unforeseen event causing damage.

**E.g.:** Suppose Mr. Sharma owns a two-wheeler, which gets stolen. Upon receiving report from police, insurance company would compensate Mr. Sharma for the loss. Later on, if the stolen vehicle is recovered by police, insurer has right to sell or to scrap the said vehicle. This is because Mr. Sharma has already subrogated i.e. transferred the ownership rights of the vehicle to the insurer.

5. **Principle of Contribution:** This principle is an extension to or supplementary to the principle of indemnity. If a person has taken insurance for one property from more than one insurance company, even then the compensation paid to him cannot exceed the actual loss suffered. If one insurer pays full compensation, then that insurer can claim proportionate share from other insurers. Similarly, insured himself can claim for proportionate from all the insurer.

**E.g.:** Mr. A had insured his stock in trade worth ₹ 50 lacs with three insurers; GIC for ₹ 25 lacs, Bajaj Allianz for ₹ 10 Lacs and ICICI Prudential for ₹ 15 Lacs. Suppose there was a fire in the warehouse and stock worth ₹ 20 lacs was destroyed. In this case, there are two options:

**Option 1:** Mr. A can claim full loss from GIC and GIC can claim a proportionate claim from Bajaj Allianz and ICICI Prudential.

**Option 2:** Mr. A can claim the loss of ₹ 20 lacs in the ratio of value of the policy i.e. ₹ 10 lacs from GIC, ₹ 4 lacs from Bajaj Allianz and ₹ 6 lacs from ICICI

Prudential.

In any case, Mr. A can get a maximum compensation of ₹ 20 lacs only.

6. **Principle of Mitigation of loss:** As per this principle, insured must try his best to minimise the loss to the insured property on the happening of uncertain event. He should not be negligent or inactive just because the property is insured. It is his responsibility to take all the necessary steps to control and reduce the losses.
- E.g.:** If there is a fire in the office of a company, then the officials should use the fire extinguishers and call the fire brigade immediately to reduce further loss. They should not be inactive just because the property is insured.
7. **Principle of Causa-Proxima:** As per this principle, when loss is caused by more than one causes, then the most proximate or nearest cause must be considered to decide the liability of the insurer. This is because the property may be insured against the risk of loss from a certain causes (and not against all causes). If the proximate cause is the one against which the property is insured, the insurance company is bound to pay compensation and vice versa.

**E.g.:** A cargo of rice was destroyed by sea water which flooded the ship when it collided with an iceberg. In this case, there are two possible causes for loss: Collision of the ship with the ice berg or sea water which flooded the ship. However, the nearest cause of damage is sea water. If the cargo is insured against loss due to sea water, then the insurance company is bound to compensate for the loss. However, if the cargo was insured against loss due to collision, the insurance company is not liable to compensate for the damage.

#### Q6 | Justify the following statements (Any 2):

##### 6.A. Justify the following statement.

Marketing is important to society.

##### **Solution:**

##### **Importance of Marketing to the Society:**

- a. **Increase in Standard of Living:** The prime objective of marketing is to provide goods and services to customers to satisfy their needs. Paul Mazur defined marketing as, "The delivery of standard of living to the society". Marketing helps to identify the needs of the customers and take an initiative to provide quality goods at cheaper prices. This will help to increase and



maintain the standard of living of the customers. In modern times, large-scale production of goods and services reduced their prices due to which even the poorer sections of society can attain a reasonable level of living.

- b. **Provides Employment:** Modern marketing is a total system that covers almost all functions of an organization such as buying, selling, financing, transport, warehousing, risk bearing, research, development, etc. To run this system there is a need for people. Thus, marketing gives job opportunities to people. In the modern era of automation, lesser employments are available in the production function and the role of marketing has widened. It gives more opportunities for employment in marketing. Converse, Huegy, and Mitchell have rightly pointed out that "In order to have continuous production, there must be continuous marketing, only then employment can be sustained and high level of business activity can be continued".
- c. **Decreases Distribution Costs:** Marketing activities help to provide cheap goods and services to society. Effective utilization of channels of distribution can help in reducing the cost prices of the products and services. Reduction of the cost will help to increase the potential consumers for the products or services. It also assures the timely availability of the product.
- d. **Consumer Awareness:** Marketing helps society by informing and educating consumers. The function of marketing is to fulfill the needs of the consumers. Marketing helps consumers to know about new products and services available in the market and their usefulness to the customer. Marketing provides satisfaction to society by supplying relevant information, goods, and services to the people of society according to their demands and taste. Marketing can also include more practical information to assist in making a purchase, such as addresses, phone numbers, product release dates, store hours, and Web addresses.
- e. **Increase in National Income:** Every economy revolves around marketing, production, and finance to the industry. The scientifically organized marketing activities help in the economic development of the country. Effective marketing of products and services result in industrialization, more job, and makes the economy stronger and more stable. Marketing can bring about the rapid development of the country by integrating agriculture and industry.
- f. **Managing Consumer Expectations:** Marketing research helps organizations to understand the needs of the consumers. It helps in developing products that fulfill customers' expectations. Customers' reviews collected through

different sources can help organizations to make necessary changes to the products. Businesses use marketing to make consumers aware of major changes, such as mergers and transfers in ownership that affect product offerings or seek to improve quality. Government regulations prevent marketers from making false or misleading claims.

**6.B. Justify the following statement.**

Social responsibility is necessary for the protection of the environment.

**Solution:**

Business organizations should make proper use of the country's natural resources. They should avoid environmental degradation such as contamination of water resources, depletion of the ozone layer, etc. which have been caused by business activities. These have resulted in poor health of the community and placed a question mark on the survival of the human species. Businesses should be committed to protecting and promoting the environment. Business uses all types of resources from nature, so it is an obligation to protect the environment. It should not create an imbalance in nature. Industrialization results in environmental pollution by generating hazardous waste and has increased the risks to the environment. Protection of the environment benefits businesses from many angles such as creating awareness among customers, and employees, saving costs, less, govt. control etc. A number of waste prevention techniques are available and they are commonly summarised as the so-called 4 'R's. i.e. reduction, reuse, recycling, and recovery.

**6.C. State the importance of Controlling.**

**Solution:**

**Importance of Controlling:**

Controlling is important in maintaining standards and achieving desired goals effectively and efficiently. It is a function of checking the performances of employees at every stage of their work process.

**The importance of controlling function in an organization is as follows:**

- a. **Fulfilling Goals of Organization:** Controlling is the function of measuring the performances at every possible stage, finding out the deviations if any; and taking corrective actions according to planned activities for the organization. Thus, it helps in fulfilling organizational goals.



- b. **Making Efficient Utilization of Resources:** Various techniques are used by managers to reduce the wastage of material and spoilage of other resources. Standards are set for every performance. Employees have to follow these standards. As an effect of this, the resources are used by employees in the most efficient and effective manner so as to achieve organizational objectives.
- c. **Accuracy of Standards:** An efficient control system helps management in judging the accuracy of standards whether they are accurate or not. Controlling measures are flexible to some extent. So after reviewing them according to changing circumstances, they are revised from time to time which is beneficial for checking performances accurately.
- d. **Motivates Employees:** After setting standards for checking performance, they are communicated to employees in advance. Due to this, employees get an idea about what to do and how to do it. Performances are evaluated and on that basis, employees are rewarded in the form of increments, bonuses, promotions, etc. It motivates the employees to perform at their best level.
- e. **Ensures Order and Discipline:** Controlling is the function of order and maintaining discipline. It works for reducing the unprofessional behavior of the employees. Discipline is maintained by continuous checking of performances by the superiors and preventive actions are taken to minimize the gap between actual and standards.
- f. **Facilitates Coordination:** Control is a function in which the roles and responsibilities of all departmental managers and subordinates are designed clearly. Coordination between them helps to find out the deviations in their respective departments and to use remedial measures for desired results of the organization.
- g. **Psychological Pressure:** The performances are evaluated with the standard targets. The employees are very well aware that their performance will be evaluated and they will be rewarded accordingly. This psychological pressure works as a motivational factor for employees to give their best performance.
- h. **Ensures Organizational Efficiency and Effectiveness:** Factors of control include making managers responsible, motivating them for higher performance, and achieving departmental coordination. It ensures organizational efficiency and effectiveness.
- i. **Builds Good Corporate Image:** The controlling function helps to improve the overall performance of the organization. Minimum deviation in predetermined standards and actual performance results in the progress of

the business. It can be achieved with the help of proper control. This builds a good corporate image and brings goodwill to the business.

- j. **Acts as a Guide:** Controlling function provides a set of standard performances. Managers as well as subordinates work according to it. Wherever necessary, they can take the help of these standards and can achieve desired results. Thus, the controlling function acts as a guide for everyone.

#### **6.D. Justify the following statement.**

Principles of management can be applied universally.

##### **Solution:**

While achieving the goal of an individual or an organization, it is always important to use different systems or techniques. Some of these techniques are accepted universally, hence, they are called principles. It provides guidelines to managers to conduct all organizational activities on specific bases. It helps the manager to take effective decisions and to achieve organizational goals. These principles are universal and applicable everywhere. The principles of management are universal in nature. That means they can be applied to all types of organizations, irrespective of their size and nature. Their results may vary and applications may be modified but these are suitable for all kinds of organizations. Similarly, they are applicable to all levels of management.

#### **Q7 | Answer the following questions in detail: (Any 2)**

**7.A. Define CSR.**

##### **Solution:**

Corporate Social Responsibility (CSR) is a self-regulating business model, that aims to contribute to societal goals or support volunteering or ethically-oriented practices. It makes a company socially responsible and accountable. This accountability is towards itself, its stakeholders, the public in general, etc. By practicing social responsibility, companies can be conscious of the economic, social, and environmental aspects of society.

**OR**

**State the scope of CSR.**

##### **Solution:**

**Scope of CSR:**

**Applicability of CSR:**

1. The companies having a net worth of 500 Cr. or more or turnover of 1000 Cr. or more; or Net profit of 5 Cr. or more during any financial year shall be required to constitute a Corporate Social Responsibility Committee of the Board with effect from 1st April 2014.
2. The Board's report shall disclose the compositions of the CSR Committee.
3. All companies shall spend, in every financial year, at least 2% of the average net profits of the company made during the three immediately preceding financial years, in pursuance of its Corporate Social Responsibility Policy.

**OR**

**Illustrate any five activities of CSR covered as per Section 135 of the Companies Act, 2013.****Solution:**

The Policy recognizes that corporate social responsibility is a commitment to support initiatives that measurably improve the lives of the underprivileged by one or more of the following focus areas as notified under Section 135 of the Companies Act 2013 and Companies (Corporate Social Responsibility Policy) Rules 2014:

1. Eradicating hunger, poverty & malnutrition, promoting preventive health care & sanitation & making available safe drinking water.
2. Promoting education, including special education & employment enhancing vocation skills, especially among children, women, the elderly & the differently abled & livelihood enhancement projects.
3. Reducing child mortality and improving maternal health by providing good hospital facilities and low-cost medicines.
4. Ensuring environmental sustainability, ecological balance, protection of flora & fauna, animal welfare, agroforestry, conservation of natural resources & maintaining the quality of soil, air & water.
5. Employment enhancing vocational skills.

**Q7.B. Define consumer.****Solution:**



The word 'Consumer' is derived from the Latin word 'Consumere' which means, to eat or to drink. The consumer is the one who consumes or uses any commodity or service available from natural resources or through a market.

A Consumer means any person who buys any goods, hires any service or services for a consideration which has been paid or promised or partly paid or partly promised or under any system of deferred payments.

We are all consumers when we use any commodity like foodgrains, milk, etc., or service like banks, railways, post offices, hospitals, etc.

**OR**

**State the importance of consumer protection.**

**Solution:**

Generally, safeguarding the rights and interests of consumers is known as consumer protection. It includes all the measures aimed at protecting the rights and interests of consumers. In modern competitive market, the consumer is regarded as the 'King of the Market' hence consumer protection is required due to the following reasons:

- a. **Need for the participation of consumers:** It is noted that business organizations take decisions that affect the consumers' interest without consulting the consumer or their organizations. Only a strong consumer organization can pressurise business organizations to allow consumer participation in the decision-making process.
- b. **Lack of information:** It is very difficult to establish direct contact between consumer and manufacturer because consumers live in a dynamic and complex world and they are widely scattered. Today's markets are full of domestic as well as imported products therefore it is very difficult to get correct and reliable information about products before they purchase.
- c. **Ignorance:** The ignorance of consumers is the main cause of exploitation by businesses. Consumers in India are mostly ignorant about their rights, market conditions, price levels, and product details. A system is required to protect them from business malpractices.
- d. **Unorganized Consumers:** Consumers are widely scattered and are not organized, On the other hand, sellers are in a better position than consumers and they are powerful. Consumers are under the influence of businessmen. An individual consumer cannot fight against these powerful sellers.



- e. **Spurious Goods:** There is an increasing supply of duplicate products. It is not possible for an ordinary consumer to distinguish between a genuine product and its imitation. It is necessary to protect consumers from such exploitation by ensuring compliance with prescribed norms of quality and safety standards.
- f. **Misleading Advertising:** Some businessmen give misleading information about the quality, safety, and utility of products. Consumers are misled by misleading advertisements and do not know the real quality of advertised goods. A mechanism is needed to prevent misleading advertisements.
- g. **Malpractices of Businessmen:** Fraudulent, unethical, and monopolistic trade practices by businessmen lead to the exploitation of consumers. Many times consumers get defective, inferior, and substandard goods and services. Certain measures are required to protect consumers against such malpractices.
- h. **Trusteeship:** According to Gandhian philosophy businessmen are trustees of the society's wealth. Therefore, they should use this wealth for the benefit of people.

#### **7.C. Describe the importance of coordinating.**

##### **Solution:**

Coordination refers to the integration and synchronization of group efforts so as to provide unity of action for organizational goals. Coordination is a hidden force that binds all other functions of management together.

##### **The importance of co-ordinating is as follows:**

The need for coordination arises out of the fact that different elements and efforts of an organization are to be harmonized and unified to achieve common objectives. The importance of coordination can be discussed as follows:

##### **1. Encourages Team Spirit:**

In organizations, a group of individuals works together. There may be the existence of conflicts, disputes between individuals, departments, and employers, and employees regarding organizational policies, roles, and responsibilities, etc. Coordination arranges the work in such a way that minimum conflicts are raised. It increases the team spirit at the workplace.

##### **2. Gives Proper Direction:**

Coordination integrates departmental activities for achieving the common

goal of the organization. The work is arranged in a very systematic way. The interdependence of departments gives proper direction to the employees.

**3. Facilitates Motivation:**

Coordination motivates the employees to take initiative while completing their assigned tasks.

Effective coordination increases efficiency and results in the growth and prosperity of the organization. A prosperous organization ensures job security, higher income, promotion, and incentives. Such monetary and non-monetary incentives provide job security and motivate employees to hard work.

**4. Optimum Utilization of Resources:**

Managers try to integrate all the resources systematically. It helps in utilizing all available resources at their optimum level. Coordination also helps to minimize the wastage of resources and control the cost of work.

**5. Achieve Organizational Objectives:**

Coordination leads to minimizing the wastages of materials, idle time of employees, delay in the completion of targets, departmental disputes, etc. to a great extent. It ensures the smooth working of the organization in the process of achieving its objectives of the organization.

**6. Improves Relation:**

Coordination develops cordial relations between all the levels of management of an organization. Every department depends on the functioning of other departments. For example, the sales department works according to the production department, the Production department depends on the Purchase department, and so on. Coordination helps the employees to build strong relations among themselves and achieve the given targets.

**7. Leads to Higher Efficiency:**

With the help of optimum utilization of resources and effective integration of resources, the organization can achieve high returns in terms of high productivity, and high profitability as well as can reduce cost. Thus, coordination leads to higher efficiency.

**8. Improves Goodwill:**

Higher sales and higher profitability can be achieved due to synchronized efforts of organizational people, strong human relations, and lower costs. It directly results in creating goodwill for the organization in the market. It

reflects on the market value of shares as well as helps in building a good image in society.

**9. Unity of Direction:**

Different activities are performed by different departments. Coordination harmonizes these activities for achieving the common goal of the organization. Thus, coordination gives proper direction to all departments of the organization.

**10. Specialization:**

All departments of the organization are headed by experts in their respective fields. The specialized knowledge of these departmental heads helps in managerial decisions. It leads the organization to march toward growth and success in the competitive world of business.

**Q8 | Answer the following questions in detail: (Any 1)**

**8.A. Explain in detail the three-tier Quasi-judicial machinery under the Consumer Protection Act.**

**Solution:**

**Following are consumer dispute redressal forums established under the Act.**

**1. District Commission:**

**Meaning:** A consumer dispute redressal commission at each district established by the State Government is known as District Commission.

**Composition:** Each District commission shall consist of the following:

**(a) President:** A person who is sitting or retired or qualified to be a District Judge.

**(b) Member:** not less than two and not more than such number of members as may be prescribed, in consultation with the Central Government.

**(c) Tenure:** Any person appointed as President or a member of the District Commission shall hold office as such as President or as a member till the completion of the term for which he has been appointed. The members will hold office for a term of five years or up to the age of sixty-five years, whichever is earlier.

**Qualification:** The members of the National Commission shall have the following qualifications:

**(a) Age:** Members should not be less than 35 years of age.

**(b) Education:** They should possess a bachelor's Degree from a recognized University.

**(c) Experience:** They should have adequate knowledge and at least ten years of experience in dealing with problems related to economics, law, commerce, accountancy, industries, and public affairs or administration.

**Territorial Jurisdiction:** Territorial Jurisdiction of the district commission is the entire district in which it is established.

**Monetary Jurisdiction:** District Commission shall have jurisdiction to entertain complaints where the value of the goods or services paid as consideration does not exceed ₹one crore.

**Appeal:** Any person aggrieved by an order made by the District Commission may prefer an appeal against such order to the State Commission within a period of forty-five days from the date of the order in such form and manner as may be prescribed.

The State Government, by notification, may make rules about qualifications, method of recruitment, term of office, resignation, and removal of the president and members of the District Commission. However, any person already appointed as a President or member of the District Commission immediately before the commencement of this Act will remain in the same post till the completion of the term for which he has been appointed.

## 2. **State Commission:**

**Meaning:** A consumer dispute redressal commission at the state level established by the State Government is known as State Commission. It is also called as State Consumer Disputes Redressal Commission.

**Composition:** Each State Commission shall consist of:

**(A) President:** A person who is a sitting or retired Judge of the High Court shall be appointed by the State Government as the president of the State Commission in consultation with the Chief Justice of the High Court.

**(B) Member:** Not less than four or not more than a such number of members



as may be prescribed in consultation with the Central Government.

**(c) Tenure:** The members will hold office for a term of five years or up to the age of sixty-seven years, whichever is earlier.

**Qualification:** The members of the state commission shall have the following qualifications:

**(a) Age:** Members should not be less than 35 years of age.

**(b) Education:** They should possess a bachelor's Degree from a recognized University.

**(c) Experience:** They should have adequate knowledge and at least ten years of experience in dealing with problems related to economics, law, commerce, accountancy, industries, and public affairs or administration.

**Territorial Jurisdiction:** It can entertain original cases as well as appeals against the order of the District Commission which are within the geographical limits of the state.

**Monetary Jurisdiction:** to entertain complaints where the value of the goods or services paid as consideration, exceeds Rs. one crore, but does not exceed Rs. ten crores.

**Appeal:** Any person aggrieved by an order made by the State Commission may prefer an appeal against such order to the National Commission within a period of thirty days from the date of the order in such form and manner as may be prescribed. The Central Government, by notification, may make rules about qualifications, method of recruitment, term of office, resignation, and removal of the President and Members of the State Commission. However, any person already appointed as a President or member of the State Commission immediately before the commencement of this Act will remain in the same post till the completion of the term for which he has been appointed.

### 3. **National Commission:**

**Meaning:** A consumer dispute redressal forum at the National level established by the Central Government by notification is known as National Commission. It is also called the National Consumer Disputes Redressal

Commission.

**Composition:** National Commission shall consist of:

**(a) President:** A person, who is or has been a Judge of the Supreme Court, shall be appointed by the Central Government as the president of the National Commission in consultation with the Chief Justice of India.

**(b) Member:** Not less than four and not more than such number of members as may be prescribed.

**(c) Tenure:** The members will hold office for a term of five years or up to the age prescribed, whichever is earlier.

**Qualification:** The members of the national commission shall have the following qualifications:

**(a) Age:** Members should not be less than 35 years of age.

**(b) Education:** They should possess a bachelor's Degree from a recognized University.

**(c) Experience:** They should have adequate knowledge and at least ten years of experience in dealing with problems related to economics, law, commerce, accountancy, industries, and public affairs or administration.

**Territorial Jurisdiction:** It can entertain original cases as well as appeals against the order of the State Commission which are within the geographical limits of the state.

**Monetary Jurisdiction:** to entertain complaints where the value of the goods or services paid as consideration exceeds Rs. ten crores.

**Appeal:** Any person, aggrieved by an order made by the National Commission may prefer an appeal against such order to the Supreme Court within a period of thirty days from the date of the order. The Central Government, may by notification make rules about the qualification, appointment, term of office, salaries, resignation, and removal of the President and Members of the National Commission. However, the President and the members shall hold the

office for a maximum of five years but are eligible for reappointment. The Act further provides that the President can work up to the age of seventy years and members can work up to the age of sixty-seven years.

**8.B. Explain in detail the different functions of commercial banks.**

**Solution:**

**The functions of commercial banks can be broadly divided into two groups as follows:**

1. **Primary Functions:** The primary functions of commercial banks are known as core banking functions. The primary functions are as follows:

**A. Accepting Deposits:** Commercial banks collect deposits from individuals and organizations.

**The deposits can be classified into two types i.e. Time Deposits and Demand deposits.**

**a. Time Deposits:** Time deposits are called time deposits because they are repaid to the customers after the expiry of the decided time.

**1. Fixed Deposit:** Fixed deposit account is an account where a fixed amount is kept for a fixed period of time bearing a fixed interest rate. The rate of interest is more as compared to a savings bank account and varies with the deposit period.

Normally, withdrawal of the amount is not permitted before the maturity date. However, depositors can withdraw the amount before the maturity date for which the bank will reduce the interest rate. For the amount deposited in this account, a fixed deposit receipt (FDR) is issued by the bank. Against this receipt, the loan can be taken from the bank.

**2. Recurring Deposit:** It is operated by salaried persons and businessmen having a regular income. A certain fixed sum of money is deposited into the account every month. Withdrawal of accumulated amount along with interest is paid after the maturity date. The rate of interest is higher which is similar to a fixed deposit account. A separate passbook is provided to know the position of the RD account.

**b. Demand Deposits:** Demand deposits are those which are repaid to

customers whenever they demand. That means money can be withdrawn as per the wish of the customer through withdrawal slips, Cheques, ATM cards, online transfers, etc.

**1. Saving Account:** It is generally operated by those who earn regular or fixed income such as salary or wages. The main aim of this deposit account is to encourage the habit of savings among people. These deposit accounts are meant for the purpose of maximum savings. There are restrictions on withdrawal limits from these accounts. These accounts carry low-interest rates. Interest is credited monthly, quarterly, half-yearly, and yearly basis on this account. Passbook facility, balance on SMS, account statement, etc. facilities are provided to account holders to ascertain financial position. For saving account holders some banks provide separate facilities for Flexi deposits. This facility combines the advantages of a savings account and a fixed deposit account. This is not a separate deposit account. It is a type of saving bank account or current deposit account with special features and benefits. In the case of a multiple-option deposit account, the excess amount after a particular limit gets automatically transferred to a fixed deposit. When adequate funds are not available to honor payments or cheques in a savings account, funds get transferred from fixed deposits to saving banks account.

**2. Current Account:** This account is operated by business firms and other commercial organizations such as hospitals, educational institutions, etc. who have regular banking transactions. In this account, there is no restriction on deposits and withdrawals of amounts. No interest is paid by the bank on this account. An overdraft facility is available for this account. For current accounts, banks provide statements of account every month.

**B. Granting loans and advances:** Banks grant loans and advances to business firms and others who are in need of bank funds. The loans are provided for a longer period of time from 1 year and more. Advances are provided for shorter periods from 4 months to 1 year. The advances are in the form of cash credit, overdraft and discounting of bills, etc.

**1. Loans:** Commercial banks provide loans to businessmen and others. The borrowers can use the entire amount sanctioned or can withdraw in installments. Interest is charged on the amount sanctioned.

**The loans are as follows:**



**a. Short Term Loans** are for a period of up to 1 year to meet the working capital requirements of the borrower.

**b. Medium Term Loans** are for a period of 1 year to 5 years to meet the working capital as well as fixed capital requirements of the borrower.

**c. Long Term loans** are for a period of 5 years or more to meet the long-term capital requirements of the borrower.

**2. Advances:** Advances are small-term funds provided to businessmen to satisfy different financial requirements of the business. Advances are as follows:

**a. Cash Credit:** Cash credit advances are provided to the current account and savings account holders. It provides working capital for a longer period of time. The interest rate is higher on CC. A separate CC account has to be maintained by the borrower.

**b. Overdraft:** This facility is offered to current account holders to meet their working capital requirements. The period can vary from 15 to 60 days. Interest is charged on the actual amount withdrawn. No separate account is maintained, and entries are shown in the current account. It is a temporary arrangement for a short period.

**c. Discounting of bills of exchange:** The drawer of bills of exchange or beneficiary can discount the bill with the bank and obtain an advance. On the due date of the bill, the bank will recover the amount from the drawee.

2. **Secondary Functions:** Secondary functions of commercial banks are classified into two groups:

**A. Agency Functions**

**B. Utility Functions**

**A. Agency Functions:** A commercial bank acts as an agent or representative of its client and performs certain functions as follows:

**1. Periodic Collections and Payments:** Commercial bank collects salary, dividends, interests, and any other income periodically as well as makes periodical payments such as taxes, bills, premiums, rent, etc. on the standing

instructions provided by the customer. Commercial bank charges a certain fixed amount quarterly or annually in the form of service charges from the customer for providing such services.

**2. Portfolio Management:** Large commercial banks undertake to purchase and sell securities such as shares, bonds, debentures, etc. on behalf of the clients. This handling of securities is known as portfolio management. Due to this facility, more clients are opting for such services of commercial banks.

**3. Fund Transfer:** Commercial banks provide the facility of fund transfer from one branch to another branch or branch of another bank. Commercial banks come with various initiatives to make these transfers hassle-free.

**4. Dematerialization:** Banks provide dematerialization facilities to their clients to hold their securities in an electronic format. On behalf of clients, it undertakes the electronic transfer of shares in case of purchase or sale.

**5. Forex Transactions:** Forex is an abbreviation for foreign exchange. A bank may purchase or sell foreign exchange on behalf of its clients. A bank purchases forex from its clients which the clients receive from foreign transactions and sell the forex when the clients need it for overseas transactions.

**B. Utility Functions:** A commercial bank performs utility functions for the benefit of its clients.

**It provides certain facilities or products to its clients as follows:**

**1. Issue of Drafts and Cheques:** A draft/cheque is an order to pay money from one branch of a bank to another branch of the same bank or another bank. A bank issue drafts to its account holders as well as non account holders whereas cheques are issued only to the account holders. Bank charges a commission for issuing a bank draft.

**2. Locker Facility:** This is a common utility function of any commercial bank. The bank provides a locker facility for the safe custody of valuables, documents, gold ornaments, etc.

**3. Project Reports:** A bank may prepare project reports and feasibility

studies on behalf of the clients. Project reports enable the business firm to obtain funds from the market and obtain clearance from government authorities.

**4. Gift Cheques:** Banks issue gift cheques and gold coins to account holders as well as to non-account holders. The gift cheques/coins can be used by the clients for the purpose of gifting on occasions like weddings, birthdays, etc.

**5. Underwriting Services:** A commercial bank may underwrite the issue of securities issued by companies. If the shares are not fully subscribed, the underwriting bank agrees to take up the unsubscribed portion of the securities.

**6. Gold-related Services:** Nowadays many banks are providing gold services to their customers. Some banks also provide advisory services to their customers in terms of gold funds, gold ETFs, etc.