1.1 Business organization and its scope.

1.2 Business

1.3 Profession

1.4 Industry

1.5 Trade

1.6 Types of Trade

1.7 Aids to Trade

1.8 Types of Industries

Learning Objectives

After studying this unit, the student will be able to

• To impart knowledge on business organization and its scope.

1.1 Business Organization and Its Scope

The scope of business organization has considerably expanded after the industrial revolution. The process of production is needed to determine what each person will do and how much authority each will have.
1.2 Business

The term ‘Business’ means to be ‘busy’ or ‘occupied’. Business refers to a set of organized activities for production and exchange of goods and services with the purpose of selling them at a profit. It includes activities concerned with manufacturing, trading, transportation, insurance, warehousing, banking, finance etc.

Business may be defined as human activity directed towards producing or acquiring wealth through buying and selling goods. - Lewis H. Haney.

Business is a form of activity pursued primarily with the object of earning profits for the benefit of those on whose behalf the activity is conducted - I.R. Dicksee.

Characteristics of Business

The basic features common to all business enterprises are given below:

(1) Entrepreneur: There must be someone to take initiative for establishing a business. The person who recognises the need for a product or service is known as entrepreneur. He visualises a business, combines various factors of production and puts them into going concern.

(2) Economic Activities: Business includes only economic activities. All those activities relating to the production and distribution of goods and services are called economic activities. These activities are undertaken with an economic motive. Business is carried on with a profit motive. Maximisation of profit and minimisation of the costs and expenses of earning it is are the dual aims which guide all business enterprises.

(3) Exchange of Goods and Services: A business must involve exchange of goods and services. The goods to be exchanged may be produced or procured from other sources. The exchange of goods and services is undertaken with a profit motive.

(4) Continuity of Transactions: A single transaction shall not be treated as business. An activity is treated as business only when it is undertaken continually or at least recurrently. For example a person builds a house for himself but later on sells it on profit. We will not call it business. On the other hand, if a house-building society builds houses and sells them, this is called business.

(5) Profit Motive: Earning profit is the primary motive of business. Profits are essential to enable the business to survive, to grow, expand and to get
recognition. The profit motive does not entitle a businessman to start exploiting the consumers. The responsibility of business towards society restricts a businessman from earning exorbitant profit.

(6) **Element of Risk**: In every business, there is a possibility of incurring loss. This possibility of incurring loss is termed as risk. There are two kinds of risks:

(a) Risks whose probability can be calculated and can be insured, Losses due to fire, floods, thefts, etc., are some examples.

(b) Risks whose probability cannot be calculated and cannot be insured. Changing technology, fall in demand, changing fashions, short supply of raw materials, etc are some examples.

### 1.3 Profession

A profession is the systematized body of knowledge, which is studied in specialized institutions and practiced in the real life situations. A profession is an occupation which involves the rendering of personal services of a specialized nature. Services rendered by doctors, lawyers, chartered accountants, tax-consultants etc come under this category.

### 1.4 Industry

The production side of business activity is referred as industry. It is a business activity, which is related to the raising, producing, processing or manufacturing of products.

The products are consumer goods as well as producer goods. Consumer goods are goods which are used finally by consumers. ex. Food grains, textiles, cosmetics etc. Producer goods are the goods used by manufacturers for producing some other goods. Ex. Machinery, tools, equipments etc.

Expansion of trade and commerce depends on industrial growth. It represents the supply side of market.

### 1.5 Trade

Trade refers to buying and selling of goods and services for money or money’s worth. It involves transfer or exchange of goods and services for money. The producer produces the goods then moves on to the wholesaler then to retailer and finally to the ultimate consumer. Trade has taken birth with the beginning of human life and shall continue as long as human life exists on the earth. It enhances the standard of living of consumers. Thus, we can say that trade is a very important social activity.
1.6 Types of Trade

1. Internal Trade

Internal trade is also known as Home trade. It is conducted within the political and geographical boundaries of a country. It can be at local level, regional level or national level. Hence, trade carried on among traders of Delhi, Mumbai etc is called home trade.

Internal trade can be further sub-divided into two groups, viz.

a. Whole Sale Trade: It involves buying in large quantities from producers or manufacturers and selling in lots to retailers for resale to consumers. The wholesaler is a link between manufacturer and retailer. A wholesaler occupies prominent position since manufacturers as well as retailers both are dependent upon him. Wholesaler acts as an intermediary between producers and retailers.

b. Retail Trade: Retailing means the sale of goods in small quantities to the final consumers. A person engaged in retail trade is called a ‘retailer’. Retailers buy goods from the wholesaler and sells them in relatively smaller quantities to the consumers. Retailers establish link between wholesalers and consumers

2. External Trade: External trade also called as Foreign trade. It refers to buying and selling between two or more countries. External trade can be further sub divided into three groups.

(i) Export Trade: When a trader from home country sells his goods to a trader located in another country it is called as export trade. For ex. a trader from India sells his goods to a trader located in China.

(ii) Import Trade: When a trader in home country obtains or purchases goods from a trader located in another country, it is called as import trade. For ex. a trader from India purchases goods from a trader located in China.
(iii) **Entrepot Trade**: When goods are imported from one country and then re-exported after doing some processing, it is called as entrepot trade. In brief, it can be also called as re-export of processed imported goods. For example an Indian trader from India purchases some raw material or spare parts from a Japanese trader from Japan then assembles it i.e. converts into finished goods and then reexport to an American trader in U.S.A.

### 1.7 Aids to Trade

A great deal of difficulties are experienced in course of exchange of goods and services. The activities which help in overcoming those difficulties or hindrances are called aids to trade. The examples of aids - to - trade are banking, insurance, warehousing, transport and advertising.

1. **Banking**: Banks help in overcoming the financial problems of the business enterprise. Banks provide finance for holding stock between the time of purchase to the time of sale.

2. **Warehousing**: Goods are generally produced in the anticipation of demand. All the goods produced are not consumed at the same time, warehousing provides suitable arrangement for storing the goods.

3. **Insurance**: It is the best means of reducing risks of the business. Insurance covers the risks of loss to goods in transit and in warehouse on account of theft and fire.

4. **Transport**: It creates place utility of the products. It helps in carrying the goods from the production centre to the consumption centre and thereby create place utility for the products.

5. **Advertisement**: Consumers are unaware of the new products. Advertisement and publicity bring the goods to the notice of the consumer.

### 1.8 Types of Industries


1. **Primary Industry**: Primary industry is concerned with production of goods with the help of nature. It is a nature oriented industry, which requires very little human efforts. Ex. agriculture, farming, forestry, fishing, horticulture etc.

2. **Genetic Industry**: Genetic industry are engaged in reproduction and multiplication of certain spices of plants and animals with the object of sale. The
main aim is to earn profit from such sale. Ex. Plant nurseries, Cattle rearing, poultry, Cattle breeding etc.

3. Extractive Industry: Extractive industry is concerned with extraction or drawing out goods from the soil, air or water. Generally, products of extractive industries are used by manufacturing and construction industries for producing finished products. Ex: mining industry, coal mineral, oil industry, iron ore, extraction of timber and rubber from forests etc.

4. Manufacturing Industry: Manufacturing industries are engaged in transforming raw material into finished products with the help of machines and man power. The finished goods can either be consumer goods or producer goods. Ex. Textiles, chemicals, sugar industry, paper industry etc.

5. Construction Industry: Construction industries take up the work of construction of buildings, bridges, roads, dams, canals etc. This industry is different from all other types of industry because in case of other industries goods can be produced at one place and sold at another place. But goods produced and sold by constructive industry are executed at one place.

6. Service Industry: In modern times service sector plays an important role in the development of the nation and therefore it is named as service industry. The main industries are hotel industry, tourism industry, entertainment industry etc.

Short Answer Type Questions

1. Define the term Business.
2. Define the term Profession.
3. What is an Industry?
4. Define Trade.

Long Answer Type Questions

1. What are the different types of trade. Explain briefly?
2. What are the different aids to trade. Explain briefly?
3. What are the different types of industries. Explain them in brief with examples.
UNIT 2

 Forms of Business Organizations

Structure

2.1 Sole Trader

2.2 Characteristics of Sole Proprietorship form or organization.

2.3 Merits of Sole trading concern.

2.4 Demerits of Sole trading concern.

2.5 Joint Hindu Family

2.6 Merits of Joint Hindu Family Firm.

2.7 Demerits of Joint Hindu Family Firm

Learning Objectives

After studying this unit, the student will be able to

- Impart knowledge on Forms of Business organizations.
- Merits and Demerits of Joint Hindu Family Firm

2.1 Sole Trader

The owner of the sole proprietorship firm is called ‘Sole Proprietor’ or ‘Sole trader’. He is not only exclusive owner of the business but also its founder
and controller. In fact, the sole trader is the sole owner, controller, financier, organiser, manager, decision-maker and risk bearer.

### 2.2 Characteristics of Sole Trader

1. **Single Ownership**: The sole trader is the sole owner of the firm. He fully owns the business.

2. **Management and Control**: The proprietor manages the whole business himself. He prepares various plans and executes them under his supervision. He may employ some persons to help him in the business.

3. **Undivided risk**: The sole trader takes all profits and bears losses if any. Nobody shares his profits or losses.

4. **Unlimited Liability**: The liability of the proprietor is unlimited. If he makes a heavy loss, he may lose his capital and even his entire private property.

5. **Limited area of operation**: The sole trade business has generally a limited area of operation.

6. **Free from Government Regulations**: There is no special act governing the work of a sole proprietor. He will be subject to the general loans of the country. The business is free from government regulations.

### 2.3 Merits of Sole Trading Concern

1. **Easy to form**: It is very easy and simple to form a sole trading concern. Registration is not required. Any one with necessary capital and skill can start any lawful business he likes.

2. **Direct Motivation**: The sole proprietor takes keen interest in the working of the business. He manages the business to the best of his ability. There is direct relationship between efforts and reward. The move the efforts, the higher the rewards will be. The proprietor is, therefore, inspired, induced and motivated to give his best of efforts and skills in running the business.

3. **Promptness in Decision Making**: The sole trader can take quick and clear decisions. He can also execute his decisions promptly. Quick decisions and prompt execution are very essential for the success of business.

4. **Maintenance of Secrecy**: Secrecy is of vital importance for the success of a small scale concern. A sole trader can maintain strict secrecy of his business conditions and methods.
5. **Personal contact with customers**: The sole trader can establish and maintain personal contact with his customers. He can easily study the tastes and requirements of the customers. Personal contact with customers results in high sales and good will of the firm.

6. **Social Utility**: Sole trading concern has also great social utility. It creates employment opportunities to many people. It suits best those who want to be their own masters. Hence, sole proprietorship is socially desirable.

### 2.4 Demerits of Sole Trading Concern

1. **Limited Capital and Credit**: A sole trader finds it difficult to provide necessary capital for the development of his business. Therefore, the size of the business must remain small. Small business means small profits.

2. **Limited Managerial Ability**: The managerial ability of the sole proprietor is also limited. He may not be an expert in each and every function of the business. He has to depend upon paid employees. He may find it difficult to manage and supervise efficiently as business expands.

3. **Unlimited liability**: The liability of a sole trader is unlimited. It extends to his private property also. Hence, the sole trader tries to be cautious in taking risks. Unlimited liability is a thorn on the side of the sole trader.

4. **No Continuous Existence**: The life of the business is limited to the life of the proprietor. The business may suddenly come to an end with the death of the proprietor. So a sole trading concern has no stability or continuity.

5. **Absence of Specialisation**: The sole trader is overburdened with a number of duties. He may not be efficient in all these activities. As a result, the management may not be efficient. So, this type of business organization cannot enjoy the benefits of specialisation.

6. **More risks Involved**: A sole trader is the supreme and sole master of his business. He need not consult anyone while taking decisions. So, there is a possibility of taking wrong decisions. Wrong decisions may at times result in heavy losses.

### 2.5 Joint Hindu Family

Joint Hindu family business is a peculiar form of business found in India. In this form of business ownership, all members of a Hindu Undivided family do business jointly under the control of the head of the family. The head of the family is called as ‘Karta’. The firm is owned by the members of an undivided Hindu family who have inherited an ancestral property. The property inherited
by a Hindu from his father, grand father and great grand father is regarded as ancestral property.

The members of the family are known as co-partners. The joint Hindu family firm comes into existence by the operation of Hindu Law and not out of contract. Thus the joint Hindu family firm is a business owned by co-partners of a Hindu undivided estate.

2.6 Merits of Joint Hindu Family

1. Centralized Management: The management of a Hindu Joint Family firm is centralised in the hands of one man known as ‘Karta’. Karta takes all decisions and gets them implemented with the help of other members.

2. Quick Decisions: As karta is the only decision maker, he takes quick decisions. The Karta takes not only quick decisions but his decision is final and unchallengeable.

3. Economy: In a business, for its success, economy is a must. It is well balanced and maintained in joint Hindu family firm. Karta spends money with great caution and economy.

4. Limited Liability: This is a great advantage of joint Hindu family firm. The liability of all the members of the family is limited. However, Karta’s liability is unlimited.

5. Utmost Secrecy: Karta is the great master of the grand show. He alone manages the business affairs. He can keep a thing secret even from the members of the firm. Secrecy is very vital for small-scale concerns.

6. Natural love between Members: Members of the joint Hindu family firm are having natural love and affection for each other. Due to this they ignore the short-comings of each other and help to run the business move smoothly and efficiently.

2.7 Demerits of Joint Hindu Family

1. Limited Capital: The investments are limited only upto the resources of one family. They may not be sufficient to meet business requirements for expansion.

2. Limited Management skill: Only the karta is to manage the family business, He performs the functions of the management. Limited managerial skill of karta will hinder the growth of the concern.

3. No Reward for Efficiency: All the members of the family are provided with basic needs and other facilities. The persons who work more efficiently
and dedicatedly are not rewarded for their work. So efficient workers are also tempted to work less.

4. Suspicion: The karta is empowered with vast power of secrecy. He can keep things secret even from the members of the firm. But there is no restriction on him that he cannot disclose anything to any person whom he loves. This leads to suspicion among the members.

I. Short Answer Type Questions

1. Define the term Sole Trader.
2. What is Joint Hindu Family firm?
3. Define ‘Karta’?

II. Long Answer Type Questions

1. State the characteristics of Sole Proprietorship firm?
2. State the merits of sole trading business?
3. State the demerits of sole trading business?
4. State the merits of ‘Joint Hindu Family Firm’?
5. State the demerits of ‘Joint Hindu Family Firm’?
UNIT 3

Partnership

Structure

3.1 Partnership - Characteristics of a Partnership Firm
3.2 Merits of Partnership
3.3 Demerits of Partnership
3.4 Partnership Deed
3.5 Types of Partners
3.6 Rights of Partners
3.7 Duties of Partners

Learning Objectives

After studying this unit, the student will be able to

- Impart knowledge on partnership
- Understand merits, rights and duties of partners

3.1 Characteristics of A Partnership Firm

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

1. **Two or more persons:** There must be at least two persons to form a partnership. The maximum limit on the number of partners is ten in case of banking business and twenty in case of other types of business.

2. **Contractual relation:** The relation of partnership is created by contract and not by status as in case of joint Hindu family firm. There must be an agreement between two or more persons to enter into partnership.

3. **Lawful business:** The agreement between partners must be to carry on some lawful business.

4. **Sharing of profits:** The purpose of the business should be to make profits and distribute them among partners.

5. **Unlimited liability:** The liability of each partner is unlimited, joint and several. In other words, each partner is jointly and severally responsible for the debts of the firm.

6. **Utmost good faith:** A partnership agreement is based on mutual confidence and trust of the partners. Every partner should act honestly and give proper accounts to other partners.

### 3.2 Merits of Partnership

1. **Facility of Formation**

   Like the sole proprietorship, a partnership can be formed without much expense and legal formalities. A simple agreement among partners is sufficient to start a partnership firm.

2. **Larger Financial Resources**

   The resources or savings of more than one person are available for the business. Since, larger capital resources are available there is greater scope for expansion of business.

3. **Benefits of Division of Labour**

   Division of labour can be introduced in the management of the partnership. Work may be distributed among the partners according to their abilities.

4. **Promptness in Decision Making**

   The partners meet frequently and they can take prompt decisions. The decisions taken by partners are usually quite balanced.
5. **Relationship between Reward and Work**

The partners try to put more labour to earn more and more profits. There is direct relationship between reward and work.

6. **Reduced Risk**

The risk or loss of business will be shared by all partners. Hence, the burden of every partner will be less as compared to the burden of sole trader.

### 3.3 Demerits of Partnership

1. **Unlimited Liability**

Partners are liable to the debts of the firm to an unlimited extent. Every partner is jointly and severally liable for the entire debts of the firm.

2. **Continuity is Uncertain**

The continuity of the business of the firm is uncertain. Death, insolvency, incapacity of one of the partners may lead to dissolution of the firm. Thus, instability is the worst disadvantage of partnership.

3. **Lack of Harmony**

Partnership implies collective as well as individual liability and responsibility. Mutual conflicts and lack of team spirit among partners may lead to loss of reputation and finally closure of business.

4. **Restriction on Transfer of Interest**

No partner can transfer his interest or share in the firm to outsiders without the unanimous consent of all other partners.

5. **Lack of Public Confidence**

The accounts of partnership concerns are not published. So public is unaware of the exact position of business. So, partnership concerns lack public confidence.

6. **Inadequate Capital**

A partnership firm can raise more capital than a sole trader. But it may not be able to raise or secure adequate capital for expansion beyond a certain limit.

### 3.4 Partnership Deed

Partnership is the result of an agreement. The agreement may be expressible or implied. It may be verbal or written. It is always derivable to have the agreement in writing for the following reasons.
1. Partnership is an agreement based on utmost good faith. Each partner should know clearly what he can do and what his duties and responsibilities are.

2. The rights and duties of partners are determined by agreement. The partnership act also defines the rights and duties of partners, but these will come into operation only when there is no agreement.

3. Banks and other financial institutions insist on the production of written agreements for granting loans and advances to firms.

The agreement in writing containing the terms and conditions of the partnership is called ‘partnership deed’. The deed has to be stamped as per the Indian stamps act. Each partner should have a copy of the deed with him. It is desirable to entrust the preparation of the deed to an experienced lawyer.

### 3.5 Types of Partners

Partners of a firm may be of different types with different rights and obligations.

1. **Active Partners**

Every partner has a right to take part in the management of partnership business. A few commitment partners manage the business on behalf of others. Such partners are called managing partners or active partners.

2. **Sleeping Or Dormant Partners**

Partners who agree not to take part in the management of the firm are called sleeping or dormant partners. They contribute capital. They are entitled for the agreed share in the profits of the firm.

3. **Nominal Partners**

Persons who lend their name and reputation for the benefit of the firm are called nominal partners. They are partners in name only. They neither contribute capital nor take part in the management of the business.

4. **Partners in Profit Only**

These are partners who by agreement are exempted from bearing losses of the firm. However, they are entitled for their share of profit.

5. **Secret Partners**

A secret partner is one, who does not want to be known as partner to the outsiders, though in reality he is a partner.
6. Minor Partner

A minor is not competent to enter into contract. Therefore, he cannot be a partner of a firm. But he can be admitted to the benefits of partnership with the consent of all the other partners.

3.6 Rights of Partners

The following are the rights of partners in the absence of an agreement.

1. Every partner has a right to take part in the management of the firm.
2. Every partner has a right to inspect books of account and records and take a copy of them.
3. Every partner has a right to recover any amount spent by him in the ordinary and proper conduct of the business.
4. Every partner has a right to receive interest on loans advanced to the firm over and above the capital at the rate of six percent per annum.
5. Every partner has a right to share the profits of the firm equally along with other partners.
6. A partner is not entitled for any remuneration or salary for taking part in the conduct of the business.

3.7 Duties of Partners

1. All the partners must be faithful to one another and to the firm.
2. Partners should give full and correct information and render true account of the firm to one another.
3. Every partner must diligently carry on the business of the firm to the maximum advantage of all the partners and the firm.
4. No partner should make any profit for himself by way of secret commission or sales or purchases made on behalf of the firm.
5. Every partner has to share losses equally along with other partners.
6. No partner shall engage himself any business which competes with that of the firm.
Short Answer Type Questions

1. Define partnership.
2. What is partnership deed?
3. Minor partner.
4. Secret partner.

Long Answer Type Questions

1. What are the essential characteristics of partnership firm?
2. What are the merits of partnership form of organisation?
3. What are the demerits of partnership form of organisation?
4. What are the duties of partners?
5. What are the rights of partners?
6. Explain the various types of partner.
Joint Stock Company

Structure

4.1 Joint Stock Company - Characteristics
4.2 Merits of Joint Stock company
4.3 Demerits of Joint stock company
4.4 Kinds of companies
4.5 Promoter

Learning Objectives

After studying this unit, the student will be able to

- Understand about different kinds of companies
- Understand the concepts of joint stock company
- Impart knowledge on joint stock company

4.1 JOINT STOCK COMPANY:

A joint stock company is a voluntary association of persons formed for the purpose of carrying on some business. The association is incorporated or registered. It is an artificial person. It has a distinct name and common seal. It possesses the properties of immortality and individuality. It has a capital of fixed
amount. The capital is divided into small units called ‘shares’. The persons who own or buy these shares are called ‘shareholders’ or ‘members’ of the company. They are the real owners of the company.

**Characteristics of Joint Stock Company**

1. **Association of Persons**

   A company is a voluntary association of many persons. The association must be registered or incorporated under companies act. A private limited company must have at least two persons and a public limited company must have at least seven persons to get it registered.

2. **Separate Legal Entity**

   A company is created under law. It has separate legal entity apart from its members. It is an independent person in the eyes of law. It can buy, sell and hold property in its own name like an individual. It can have a bank account in its own name.

3. **Artificial Legal Person**

   A company is an artificial person created by law. It is an artificial person, because it does not come into existence through natural birth. Like a natural person it has certain rights and obligations in terms of law.

4. **Perpetual Existence**

   A company has a continuous or uninterrupted existence. Its life is not affected by the death, insolvency of its members or directors. On account of its stable nature, a company is best suited for such type of business which require long periods of time to mature and develop.

5. **Limited Liability**

   Liability of shareholders of a limited company is limited to the face value of shares they have purchased. He is not personally liable for the debts of the company.

6. **Common Seal**

   A company being an artificial person cannot sign for itself. Therefore, the law requires every company to have a seal and get its name engraved on it. The common seal thus serves as the official signature of the company. It is kept under lock and key.
7. Business

A company can conduct only such business as stated in the memorandum of association. It cannot go beyond the powers given to it by its memorandum of association.

4.2 Merits of Joint Stock Company

1. Large Financial Resources

A joint stock company is able to collect a large amount of capital through contributions from a large number of people. In a public limited company, shares can be offered to the general public to raise capital. The companies can also accept deposits from the public and issue debentures to raise funds.

2. Limited Liability

In case of a joint stock company the liability of its members is limited to the value of shares held by them. This advantage attracts many people to invest their savings in the company and it encourages the company to take more risks.

3. Continuity or Stability in Existence

A company enjoys continuous or uninterrupted business life. As a body corporate it continues exist even if all its members die. The stability of business is of great importance to the society as well as to the nation.

4. Professional Management

Management of a company is in the hands of the directors, who are elected democratically by the members or shareholders. These directors are known as ‘Board of Directors’. They manage the affairs of the company and are accountable to all the investors. So, the investors elect capable persons who can manage the company efficiently.

5. Large-Scale Production

Since there is an availability of large financial resources and technical expertise, it is possible for the companies to have “large scale” production. This enables the company to produce more efficiently and at a lower cost.

6. Research and Development

Only in joint stock company form of business it is possible to invest a lot of money on research and development so that new design better quality products can be achieved.
4.3  Demerits of Joint Stock Company

1. Difficult to Form

The formation and registration of joint stock company involves a long and complicated procedure. A number of legal documents and formalities have to be completed before a company can start business.

2. Excessive Government Control

Joint stock companies are regulated by government through the companies act and other economic legislations. Especially, public limited companies are required to complete various legal formalities as provided in the companies act and other legislations. This affects the smooth functioning of the companies.

3. Delay in policy Decisions

Generally policy decisions are taken at the ‘Board of Directors’ meetings of the company. Further, the company has to fulfil certain procedural formalities. These procedures are time consuming and therefore, may delay action on the decisions.

4. Undue Speculation in Shares

Joint stock companies facilitate speculation in shares at a stock exchanges. Illegitimate speculation in shares of a company is injurious to the interests of share holders. It may weaken the confidence of investors and amy lead to financial crisis.

5. Lack of Secrecy

The management of companies remains in the hands of may persons. Every thing is discussed in the meetings of board of directors. Hence, the trade secrets cannot be maintained.

6. Social Evils

The company form of organisation has helped concentration of economic power in a few hands. It has encouraged growth of monopolies. In many cases monopolies have exploited consumers, workers and suppliers.

4.4  Kinds of Companies

1. Chartered Companies

A company which is created by special charter granted by the monarch is a called a ‘chartered company’. The East India company, the chartered Bank of Australia were incorporated by the grant of a special Royal charter.
2. **Statutory Company**

A company which is created by a special act of the legislature is called a ‘Statutory company’. The objects, powers, rights and responsibilities of such a company are clearly defined in the act. Ex: R.B.I, IDBI, L.I.C, U.T.I, S.T.C etc.

3. **Registered Companies**

A company registered under the companies act is called “Registered” or incorporated company. Most of the companies in India are registered under the Indian companies act.

4. **Company Limited by Shares**

In this type of company the liability of members is limited to the value of shares held by them. In case a member has paid the full value of the shares, he owns no further liability to the company.

5. **Company Limited by Guarantee**

In such a company, the liability of members is limited to such amount as they agreed to contribute to the assets being wound up. A guarantee company is formed generally to promote education, art, science, culture, sports etc. Trade association, chambers of commerce, stock exchanges, sports clubs etc are often organised as companies limited by guarantee.

6. **Unlimited Company**

A company in which the liability of members is unlimited is called ‘unlimited company’.

7. **Private Company**

Private company is a company which by its articles of association restricts the right of members to transfer shares, limits the number of its members to fifty, prohibits any invitation to the public to subscribe its shares and number of members required to form a private company is two. Such a company must use the word ‘private’ in its name.

8. **Public Company**

A public company means a company which is not a private company. In other words a public company is one which lays down no restriction on the transfer of its shares, does not limit the maximum number of members and can invite public for subscribing to its shares and debentures.
9. **Government Company**

A Government company is a company in which 51 percent or more of the paid up share capital is held by central or state government. The remaining 49 or less of the paid up capital may therefore be held by private parties or financial institutions. Hindustan steel limited, Hindustan machine tools limited, state trading corporation of India are examples of government companies.

10. **Indian Companies**

A company incorporated in India under the companies Act, whether operating in India or outside is called ‘Indian company’.

11. **Foreign Companies**

A foreign company means a company incorporated outside India but having a place of business in India through its branches.

4.5 **Promoter**

No enterprise can come into existence without undergoing a series of steps. The process for creating a business is known as promotion. The people who carry out this process are known as ‘promoters’. It is the promoter who gives birth to the enterprise and brings it up as a going concern. They act as agents and trustees of the enterprise they form.

**Short Answer Type Questions**

1. Define joint stock company?
2. Define a private company?
3. Define a public company?
4. What is a government company?
5. Who is a promoter?

**Long Answer Type Questions**

1. What are the characteristics of a joint stock company?
2. What are the merits of a joint stock company?
3. What are the demerits of a joint stock company?
4. Discuss various kinds of companies briefly?
UNIT 5

Incorporation of Joint Stock Company

Structure

5.1 Procedure and incorporation of Joint Stock company
5.2 Memorandum of Association
5.3 Articles of Association
5.4 Prospectus

Learning Objectives

After studying this unit, the student will be able to

• Impart knowledge on incorporation of joint stock company
• Understand the concepts of memorandum of association,
• Understand the concept of articles of association, prospectus

5.1 Procedure and Incorporation of Joint Stock Company

Registration

A company is a legal person. It comes into existence only after registration under the companies Act. Hence companies should necessarily be registered.
A company can be registered as a private limited company or a public limited company. The promoters of the company have to take several steps to get the company registered with the registrar of joint stock companies. According to section 12 of the Companies Act, seven persons required to form a public company and two persons to form a private company.

Documents to be filed: The following documents are to be filed with the registrar of companies:

1. **Memorandum of Association**

   It is the basic document of the company. The company is born on the basis of memorandum. Hence memorandum is called the 'charter' or 'life giving' document of the company. It is the fundamental and unalterable law of the company. It contains the rights, privileges and power of the company. It is the foundation on which the structure of the company stands. It defines and confines the scope of activity of the company. Its purpose is to enable the shareholders, creditors, and those who deal with the company to know exactly what is its permitted range of enterprise.

2. **Articles of Association**

   It contains rules, regulations and bye laws for the internal management of the company. It states the rights and duties of the members of the company. It also states the powers of officers and directors of the company. It lays down the mode and manner in which the business of the company is to be conducted.

3. **Statement of Nominal Capital**

   If the nominal capital exceeds rupees one crore, a certified copy of the permission of the securities exchange board of India should be filed.

4. **List of Directors**

   This list contains the names and addresses and occupation of the persons who have agreed to act as the first directors of the company.

5. **Written Consent of Directors**

   If the directors are appointed by the articles or named in the articles, their written consent to act as directors should be filed.

6. **Undertaking by Directors regarding Qualification Shares**

   A written undertaking to take up and pay for the qualification shares by directors should be filed. This is not required for a private company.
7. Statutory declaration

A declaration that all the formalities with regard to registration are fulfilled is to be filed. This declaration may be signed by an advocate or a chartered accountant or a director or secretary of the company engaged in its formation.

Certification of Incorporation

Promoters should pay the necessary filling and registration fees. The registrar will examine the documents. If they are found to be correct and in order, he will enter the name of the company in the register. Afterwards he will issue a certificate known as ‘certificate of incorporation’. This certificate contains the name of the company, the date of its issue and the signature of the registrar with his seal. This certificate is popularly known as the ‘birth certificate’ of a company.

Certificate of Commencement of Business

A private limited company can start its business soon after receiving the certificate of incorporation. But a public company cannot do any business and cannot exercise any borrowing powers. It can do so only after obtaining another certificate called ‘certificate of commencement of business’.

5.2 Memorandum of Association

Memorandum of association is the basic document of the company. Every company registered under the companies Act must have a memorandum of association. The memorandum is called the ‘charter’ or ‘life giving of document’ of the company. It contains the rights, privileges and powers of the company. It is, therefore, regarded as the constitution of the company. Memorandum defines the relationship of the company with the outside public.

Contents of the Memorandum

According to section 13 of the companies Act, the memorandum of every company must contain some clauses. These clauses are also known as the “conditions or contents” in the memorandum.

1. Name Clause

This is the first clause in the memorandum. This clause contains the name of the company. The name must be approved by the central government.

(a) The proposed name should not be identical to the name of an existing company.
(b) The proposed name should not suggest any connection or link with a government department.

(c) The proposed name should not be objectionable under the provisions of the Emblems and Names Act, 1950.

(d) The name of a public company limited by shares should end with the word ‘limited’, while that if a private company should end with the words ‘private limited’.

2. Situation Clause

This clause is also known as ‘domicile clause’. This clause contains the name of the state in which the registered office of the company is to be situated or located. In practice the address of the registered office is given along with the name of the state. The purpose of stating the registered state is that all the notices and circulars are sent to the registered office.

3. Objects Clause

This is one of the important clauses of the memorandum of association. This defines or states the powers of the company and the scope of its activities. The objects clause is of crucial importance both for the company and for those who deal with it. The objects must not be against the provision of the companies Act and the public policy.

4. Liability Clause

This clause states the nature of liability of the members. The liability may be limited by shares or by guarantee.

5. Capital Clause

This clause states the total amount of share capital with which the company is to be registered. This capital is also called ‘authorised capital nominal capital’ or registered capital. Besides, the division of capital into various kinds of shares and the number of shares are also stated under this clause.

6. Subscription or Association Clause

This is the last clause in the memorandum. This clause contains the names and address of signatories to the memorandum of association. The memorandum must be signed by at least seven persons in the case of a public limited company and by at least two persons in the case of a private limited company.
5.3 Articles of Association

The articles of association is the second important document of a joint stock company. It contains rules, regulations and bye-laws for the internal management of the affairs of a company. It states the rights and duties of the members of the company. It also states the powers of officers and directors of the company. It determines the relationship between the company and its members. Articles are subordinate to the memorandum as well as to the companies Act. They must not violate any provisions of the memorandum or the companies Act. The memorandum lays down what is to be done, and articles lays down how is to be done.

Contents of Articles of Association

1. Nature of the company.
2. Number and value of shares and different classes of shareholders.
3. Rules regarding the rights of different classes of shareholders.
4. Rules regarding transfer and transmission of shares forfeiture of shares etc.
5. Rules regarding the appointment remuneration, power and duties of the directors and offices of the company.
6. Rules regarding the notice of the meetings, voting rights, quorum, poll, property etc of the shareholders.
7. Rules regarding the audit of accounts, declaration of divided etc.
8. Rules regarding the issue of share certificates.
9. Rules regarding reorganization of share capital.
10. Rules regarding the winding up of the company.

5.4 Prospectus

A document containing detailed information about the company and an invitation to the public for subscribing to the share capital and debentures issued is called “prospectus”. The prospectus explains the prospects of the company. It may be issued in the form of a notice, circular, advertisement or any other form of invitation to the general public. It brings to the notice of the public that a new company has been formed.
Objects of Prospectus

The objects of prospectus are as follows:

1. To bring to the notice of the public that a company has been formed.
2. To arouse interest of the public to make investment in the company.
3. To create confidence in the public about the company, its directors and its profitability.
4. To secure that the directors of the company accept responsibility of the statements in prospectus.

Contents of Prospectus

The following matters are to be disclosed in a prospectus:

1. Main Objects

   The main objects of the company including the details about the signatories to the memorandum.

2. Share Capital

   The number and classes of shares and the interest of the shareholders in the property and profits of the company.

3. Qualification Shares

   The number of shares fixed by the articles as the qualification of a director.

4. Particulars of Managerial Personal

   Names, addresses and occupations of directors, managing directors and manager.

5. Minimum Subscription

   When shares are offered to the public, the particulars as to the minimum amount which in the opinion of the directors must be raised by the issue of shares.

6. Properties Purchased

   Particulars regarding purchase of property.

7. Particulars of Auditors

   The names and addresses of the auditors of the company.
8. Voting rights of members

The right of voting at meetings of the company and the restrictions if any.

9. Contracts

Short details of material contracts.

10. Inspection of Balance Sheet and Profit and Loss Account

A reasonable time and place at which copies of all account on which the report of the auditor is based may be inspected.

I. Short Answer Type Questions

3. Prospectus.
6. Name clause
7. Objects clause.

II. Long Answer Type Questions

1. Explain the steps to be taken and procedure to be followed for the incorporation of joint stock company.

2. What do you understand by “Memorandum of Association”? Describe its contents?

3. Define “Articles of Association”. What are the contents of Articles of Association?

UNIT

6

Cooperative Societies

Structure

6.1 Cooperative Society - Characteristics of Cooperative Society

6.2 Types of Cooperative Societies

6.3 Merits of Cooperative Society

6.4 Demerits of Cooperative Society

Learning Objectives

After studying this unit, the student will be able to

• Impart knowledge and understanding of cooperative societies

6.1 Characteristics of Cooperative Society

According to the cooperative societies Act, 1912 a cooperative organisation is “a society which has its objectives, the promotion of the interest of its members in accordance with the principles of cooperation”.

According to Sir Harace Plunkett “cooperative is self-help rendered effective by organisation. It is better farming, better business, better living”.

The following are the special characteristics of a cooperative organisation:
1. **Voluntary Association**

   Cooperative organisation is a voluntary association of persons. Any person can join the society. A number of society enjoys complete freedom to join the society and also to leave the society.

2. **Plural membership**

   As a cooperative is an association of persons, there must be more than one member. Law fixes the minimum as ten and maximum is unlimited.

3. **Equal voting rights**

   Equality is the essence of cooperative undertaking. In a cooperative society all members are equal. Every member has only one vote irrespective of the number of shares held by him in that society. ‘One man to one vote’ is the basic principle of cooperative society.

4. **Service motive**

   The primary aim of a cooperative society is to render best service to its members. Service is the main objective and profit is secondary.

5. **Open membership**

   The membership of a cooperative society is opened to all irrespective of religion, caste, creed, colour or political affiliation.

6. **Democratic management**

   Cooperative societies are managed on democratic lines. Money has no influence. Every one has equal voice in management of a cooperative society.

7. **Distribution of surplus**

   The cooperative societies earn surplus from their services. In case of consumer cooperatives, the surplus is distributed according to purchases made by the members. Any surplus arising from the members and is spent on their welfare.

8. **Cash trading**

   Another principle of cooperative societies is trading on ‘cash basis’.

9. **Compulsory registration**

   Registration is legally compulsory. The society is legally created only after such registration.
10. Liability of members

Liability of members may be limited or unlimited as the society may choose. In practice the liability is generally limited.

6.2 Types of Cooperative Societies

1. Consumer’s Co-operatives

The consumer’s cooperative societies are started to help lower and middle class people. These societies protect weaker sections, from the clutches of profit hungry businessmen. In India, consumer’s cooperatives are stared under the control of government. Government sells essential commodities to consumers at regulated prices through cooperative societies.

2. Producer’s Co-operatives

These societies are established for the benefit of small producers who find it difficult to collect various factors of production and also face marketing problems. The purpose is to improve economic conditions of small producers by giving them necessary facilities.

3. Marketing Co-operatives

The marketing cooperatives are association of producers for selling their products at remunerative prices. The production of different members is pooled and the society undertakes to sell these products by eliminating middlemen.

4. Co-operative farming societies

Cooperative farming societies are voluntary associations of farmers formed to reap the benefits of large scale farming on scientific lines. Better farming increases production and improves the economic position of members.

5. Co-operative credit societies

The credit cooperative societies are formed to give financial help to small farmers and other poor sections of the society. These societies grant short term loans at low rates of interest to members.

6. Cooperative housing societies

The low and middle income group people are not able to construct their own houses for want of money. Housing cooperative societies are organised to provide residential accommodation to their members either on ownership basis or at fair rents. Different types of housing cooperative societies help the members to become owners of houses over a period.
6.3 Merits of Co-operative Society

1. Facility of formation

It is easy and simple to form a cooperative society. Any ten adult persons can form a society. The procedure for registration is very simple.

2. Democratic management

Cooperative societies are managed on democratic lines. Every member has only one vote irrespective of the number of shares held by him.

3. Low operating costs

The administration expenses of a cooperative society are usually low. Many members provide honorary management services.

4. Service motive

Cooperative societies are started not for profits but for service.

5. Continuity

A cooperative enterprise has perpetual or continuous existence.

6. Tax advantage

A cooperative society is exempted from income tax and surcharge on its earnings up to a certain limit.

7. Social utility

Cooperative form of organisation is most desirable from the social point of view. Cooperatives promote mutual cooperation among people and serve as a means of community development. They develop brotherhood and spirit of service among members.

8. Aim of mutual prosperity

The principle of a cooperative is “Each for all and all for each”. Cooperative are non-competitive organisations.

6.4 Demerits of Cooperative Society

1. Inefficient management

Members of cooperative society do not generally possess the ability and experience to manage business efficiently.
2. Limited financial resources

Cooperative societies are started by economically weaker sections of society. The resources of such members are usually limited. Due to shortage of funds, there is limited scope for expansion and growth.

3. Lack of unity among members

The members of a cooperative society are drawn from different sections of the society. There is lack of harmony among them.

4. Lack of incentive to work hard

In a cooperative society there is no incentive to work hard. The reason is they are not paid for their services.

5. Political Interference

Cooperative societies are generally under the regulations and control of the Government. The societies are governed on political considerations rather than on business lines.

6. Lack of Competitive Strength

Cooperative societies with limited resources at their command are not able to effectively compete with large-scale manufacturers.

I. Short Answer Type Questions

1. Define cooperative society.
2. What is a consumer cooperative society?
3. What is producer cooperative society?
4. What is a cooperative farming society?
5. What is a cooperative housing society?

II. Long Answer Type Questions

1. What are the important characteristics of a cooperative society?
2. What are the merits of a cooperative society?
3. What are the demerits of a cooperative society?
4. Explain the various types of cooperative societies.
Structure

7.1 Definition of Bank
7.2 Definition of Insurance
7.3 Different types of Banks
7.4 Functions of Commercial Bank
7.5 Advantages of Insurance
7.6 Principles of Insurance
7.7 Types of Insurance

Learning Objectives

After studying this unit, the student will be able to

• Impart knowledge and understanding of Banking services
• Impart knowledge and understanding of Insurance services

7.1 Definition of Bank

A bank is a financial institution which deals with deposits and advances and other related services. It receives money from those who want to save in the form of deposits and it lends money to those who need it.
7.2 Definition of Insurance

Insurance is a form of contract under which one party agrees in return of a consideration to pay an agreed amount of money to another party to compensate for a loss, damage and injury as a result of some uncertain event.

7.3 Different Types of Banks

1. Commercial Banks

Commercial banks are established with an objective to help businessmen. These banks collect money from general public and give short term loans to businessmen by way of cash credits, overdrafts etc. In India, commercial banks are established under companies Act, 1956.

2. Industrial Banks

Industrial banks collect cash by issuing shares and debentures and providing long term loans to industries.

3. Agricultural Banks

Agricultural banks were established to extend credit and other financial services to customers not considered credit worthy by commercial banks.

4. Exchange Banks

Exchange banks deal in foreign exchange and specialise in financing foreign trade. They play an important role in promoting foreign trade.

5. Central Bank

Central bank is the apex institution, which controls, regulates and supervises the monetary and credit system of the country. India’s central bank, i.e. the Reserve Bank of India performs many developmental functions to promote economic development in the country.

6. Cooperative Banks

When a society engages itself in banking business it is called a cooperative bank. Any cooperative bank as a society is to function under the overall supervision of the registrar, cooperative societies of the state.

7. Nationalised Banks

Nationalised banks dominate the banking system in India. The major nationalisation of banks happened in 1969. The major objective behind nationalisation was to spread banking infrastructure in rural areas and make
cheap finance available to Indian farmers.

8. Regional Rural Banks

The Government of India set up regional rural banks on October 2, 1975. From August 1976 the R.R.B have been granted freedom to fix rates of interest which is usually in the range of 14-18% for advance.

9. NABARD

National banks for agricultural and rural development is a central or apex institution for financing agricultural and rural sectors. NABARD can provide credit, both short term and long term through regional rural banks.

10. Asian Development Bank

The Asian development bank is a regional development bank established on 22nd August 1966 to facilitate economic development of countries in Asia.

7.4 Functions of Commercial Banks

1. Accepting Deposits

Commercial bank accepts various types of deposits from public especially from its clients. It includes saving account deposits, recurring account deposits, fixed deposits etc. These deposits are payable after a certain time period.

2. Making Advances

The commercial banks provide loans and advances of various forms. They also give term loans to all types of clients against proper security.

3. Credit Creation

It is the most significant function of the commercial banks. While sanctioning a loan a bank automatically creates deposits. This is known as credit creation from commercial bank.

4. Agency Functions

Agency functions of commercial banks are:

(a) To collect and clear cheque, dividends etc.
(b) To make payment of rent, insurance premium etc.
(c) To purchase and sell securities.
(d) To accept tax proceeds and tax returns
5. General utility functions

(a) To provide safety locker facility to customers.

(b) To issue traveller’s cheque

(c) To provide various cards such as credit cards, debit cards, smart cards etc.

7.5 Advantages of Insurance

1. Financial assistance for developing industry

Insurance companies mobilise the savings of the public. Large funds are collected by way of premium. These funds are invested in shares and debentures of different companies.

2. Developing a habit of saving money

Insurance develops a habit of saving money by paying premium.

3. Protection Against risk of Loss

Insurance provides protection against the risks of loss. It makes business operations very secured by providing against all probable losses and dangers. Insurance gives securing to individuals through accident, health, sickness, old-age etc.

4. Offering Employment Opportunities

The scope of activities of insurance is very wide. Thousands of efficient employees are needed for the smooth conduct of insurance companies.

5. Providing Loan Facilities

Insurance offers loan facilities to the public against life policy for use of necessary purposes.

6. Social Welfare

Insurance companies provide finance to the Government investments of insurance companies in the development plans of the nation lead to the national prosperity of the country.

7.6 Principles of Insurance

A valid insurance contract must have all requisites of a valid contract

(a) Lawful offer and acceptance.

(b) Lawful object.
(c) Lawful consideration.
(d) Free consent of the parties.
(e) Competency of the parties.

2. Utmost Good Faith

The contracts of insurance are based on the principles of utmost good faith. The obligation to disclose all material facts relating to the subject matter falls equally on both the insurer and the insured.

3. Insurable Interest

Every insured person must have the insurable interest in the subject matter of insurance.

4. Contract of Indemnity

The word ‘indemnity’ means security against loss. In other words, indemnity implies a promise to compensate in case of a loss. The principle of indemnity is applicable to all types of insurance policies except life insurance.

5. Doctrine of Subrogation

According to the doctrine of subrogation after the insured is compensated for the loss caused by the damage to the property insured by him, the right of ownership of such property passes on to the insurer. The principle of subrogation is applicable to fire insurance and marine insurance.

6. Principle of Contribution

The insured can take two or more than two policies on the same property. The insured is entitled to recover only the actual amount of loss sustained by him and nothing more.

7. Types of Insurance

There are three main types of insurance, namely
(a) Life insurance
(b) General insurance
(c) Social insurance

(a) Life Insurance

Life insurance is a contract where by the insurer undertakes to pay, in consideration for premium, a certain sum of money to the legal heir or nominee
of an insured on his/her death or to the insured after the lapse of a certain period of time. Life insurance includes whole life policy, endowment policy, group insurance policy, money back policy etc.

(b) General Insurance

It provides insurance for theft, fine, marine and other losses. General insurance mainly covers assets such as vehicles, buildings, jewellery, stock in trade, machinery etc.

(c) Social Insurance

Social insurance means government provision for unemployed, injured or aged people, financed by contributions from employers and employees as well as by government revenue. Ex: health insurance, employees state insurance, unemployment insurance etc.

I. Short Answer Type Questions

1. Define a bank.
2. Define insurance.
3. What is a commercial bank.
4. What is an exchange bank.
5. Expand NABARD, ADB.

II. Long Answer Type Questions

1. Write briefly about different types of banks?
2. Write the important functions of commercial banks?
3. What are the advantages of insurance?
4. Write the important principles of insurance?
5. What are three main types of insurance? Explain briefly about them.
UNIT 8

Transport, Warehousing and Advertisement

Structure

8.1 Advantages of Transport
8.2 Types of Transport
8.3 Importance of Warehousing
8.4 Types of Warehousing
8.5 Need and importance of advertisement
8.6 Print Media
8.7 Outdoor Media

Learning Objectives

After studying this unit, the student will be able to

- Impart knowledge and understanding of Transport, Warehousing and Advertisement

8.1 Advantages of Transport

The entire economic, social and political life of a modern country depends upon an efficient system of transport. The benefits of transport can be studied under the following:
1. Economic Benefits

(a) Extensive Market

Transport helps in the assembly of raw material and distribution of finished goods. It makes it possible to move goods from the place of production to the place where they are to be consumed.

(b) Mobility of Labour and Capital

Mobility of labour and capital increases with the development of transport.

(c) Specialization and Division of Labour

Movement of goods and people from one place to another leads to specialization and division of labour.

(d) Stability in Prices

Goods can be transported to places where there is scarcity and the prices are high from places where there is surplus and prices are low.

2. Political Benefits

(a) National Unity, Integration and Peace

Transport helps in maintaining internal peace and national unity of a country. It brings about national integration.

(b) Political Awakening

Efficient means of transport help in creating political awakening in the people and the growth of civilization.

(c) Sources of Revenue

Transport helps in increasing the national wealth and income of a country.

8.2 Types of Transport

1. Road Freight

Road transportation is the most commonly used method in practice today. It is cost effective ideal for short distances, easy to monitor location of goods etc.

2. Rail Freight

Rail transportation offers many advantages and is used for domestic use. Rail transport is ideal for heavy goods and has a wide range of applications. Safe mode of transport, fast delivery, cost effective, reliable etc.
3. Sea Freight

Sea transportation is usually used by companies who ship a long amount of goods at once with longer lead times. This mode of transport is the longest, yet is ideal for bulk shipments such as coal and minerals.

4. Air Freight

Air freighting is commonly used by companies who work with short lead times or advanced service levels. Fastest for long distance deliveries, very safe mode of transport, reduces lead time on suppliers etc.

8.3 Importance of Warehousing

1. Seasonal Demand

Certain products are produced throughout the year but their demand arises only during a particular season. These products are kept in warehouse so that they may be available during a particular season.

2. Preservation of Perishable Commodities

Warehouses are necessary for the preservation of perishable commodities like milk, fish, eggs, vegetables, fruits etc.

3. Equalisation of Demand and Supply

Warehousing of goods is necessary to avoid heavy fluctuation in prices.

4. Ability to Face Natural Calamities

Storage enables the society to face natural calamities such as floods, earthquakes, droughts, famines etc.

5. Making Commodities Marketable

The warehouse in the organised market performs vital functions such as asserting, grading, sampling, labelling, packing etc. To make the commodities marketable.

6. Meeting the Demand of the Distant Consumers

Warehousing enables goods to be made available to the buyers whenever and wherever they are required.
8.4 Types of Warehousing

1. Public Warehouses

Public warehouses are established for providing storage facilities to retailers, wholesalers, manufactures or even the general public in consideration for storage charges, public warehouses are licensed by the Government.

2. Private Warehouses

Private are those which are owned by large business houses or wholesalers for the storage of their own stock. Private warehouses are found in very small numbers due to their heavy cost of construction.

3. Bonded Warehouses

A bonded warehouse is established under a bond with the customs authority for safe keeping of dutiable goods till the payment of import duty. It is licensed by the Government.

4. Government Warehouses

The warehouses are established by the central and state Governments and corporations. Ex: godowns of the food corporation of India, central warehousing corporation of India, state warehousing corporations.

5. Cold Storages

These warehouses are used to store perishable goods such as vegetables, milk products, fruit, fishes, eggs etc for a long time without getting spoiled.

6. Special Commodity Warehouses

Warehouses which are specially constructed for storage of a particular commodity such as wool, cotton, tobacco etc. are called special commodity warehouses.

8.5 Need and Importance of Advertisement

So many companies rely on advertising these days to boost sales of their products or services, to build a connection with their audience and to create competition with their rival firms. It has been suggested that over $ 400 billion has been spent worldwide on advertising this year, and this spending supports thousands of companies and millions of jobs. Advertising is crucial to a company’s success and it is becoming more and more important to be backed by a creative and unique campaign.
The first and key factor of advertising is that it will draw an audience attention to a product or service offered by a company. Advertising gives companies and businesses the opportunity to build up a brand and an identity.

Secondly, advertising introduces different brands of same product. Advertisement tells about qualities of each brand and we can easily select.

Thirdly, Government can very profitably advertise its schemes and policies. It can tell general public what it might do for good of nation.

Fourthly, it is through advertisements that we come to know of new service jobs. Qualified people apply for them and get adjusted in life.

Finally, advertising helps to keep the consumers informed about whatever new products or services available in the market. Advertising on the whole helps business as well as the economy to prosper and makes the consumer aware of the various choices that are available to him.

8.6 Print Media

Any kind of material in written form which gives you knowledge is called print media. Ex: yellow pages, newspapers, business directories, books, magazines, posters etc.

8.7 Outdoor Media

Out of home advertising is focused on marketing to consumers when they are ‘on the go’ in public places in transit, waiting, and in specific commercial locations.

Outdoor advertising formats fall into four main categories billboards, street furniture, transit, subway ceilings etc.

Short Answer Type Questions

1. What is a public warehouse?
2. What is a bonded warehouse?
3. What is print media?
4. What is outdoor media?

Long Answer Type Questions

1. Write the advantages of transport?
2. Write briefly about different types of transport?
3. Explain the importance of warehousing.

4. Write briefly about different types of warehousing?

5. Write briefly about the need and importance of advertisement.