Unit -1
Introduction To Business, Trade, Commerce and Industry

1.1 Concept and importance of business, trade, commerce and industry.
1.2. Concept, definition, meaning, characteristics, merits and demerits of sole proprietorship.

- ➢ **Concept of Business**:

Today business has great importance in our lives, and we can easily see that people who own business are much successful in their lives. Before talking about the importance of business, let's talk about business first. The word “business” means the state of being busy. So “business” means all those human activities which are related to the production and distribution of goods and services with the object of earning profit. E.g. Farmer, Fisherman, Manufacturer.

Business also includes those activities which indirectly help in production and exchange of goods such as transport, insurance, banking, warehousing etc. Every business enterprise whether it is carried on a small or a large scale deals in goods and services for earning of money. If an enterprise is to survive, grow and expand, it must yield profit. So business includes all the commercial and industrial activities that provide goods and services to the people with an objective to earn profit.

Importance of Business:

The industrial revolution of the 18th century increased the scale of production, division of labor, specialization and standardization of goods. Over the years, the size of business has expanded. The use of machinery is increased. The working business is being computerized very rapidly. So importance of business in the present day of world can be judge from the following activities:-

1. **Mass production of goods:**
   The use of automatic machines, new materials and new processing methods have not only lowered the cost of production of goods but also helped the producers in producing goods in desired quality and quantity.

2. **Expansion of market:**
   In the modern world, goods are produced according to the needs of the customers. The business tries to satisfy the customers both within and outside the country be developing products according to the tastes and purchasing power of the customers. Therefore, markets have expanded consumption of goods due to increase in number of customers all over the world.

3. **Provision of credit by banks**
   The Commercial banks and specialized institutions are providing credit facility to the traders for producing goods and doing business on large scale.

4. **Communication and transport**
   The fast developed means of Communication and transport helping the traders in these days in providing goods to the customers at the right times, right place and right price.

5. **Innovations**
   Today all the time busy in business making improvements by introducing new products as well as new methods are very helpful for quality of products and reducing cost.

6. **Employment**
   Business has generated employment on large scale both in the rural and urban areas.

7. **Source of revenue**

Business is providing revenue to the state due to which the government maintains law and order situation, undertakes defense and carries on welfare and development activities. Business pays a large share of taxes to government.

8. **Raising standard of living**
   Business also helped the people to earn living either as owners of the business or employees. Higher incomes have lead to increase in the standard of living in people.

9. **Business supplies services**
   Services occupy an important role in modern business life. The major services which are growing in importance are banking and finance, insurance, medical and health, education, legal, domestic servants, engineering and other professionals etc. All the services which perform simple or difficult task for earning profit are regarded an important part of business.

10. **Insurance**
    The various types of business risks which may happen due to fire , theft, flood, earthquake, strikes etc. can be insured and the loss if any arising out of the risks an be recovered. So insurance has given stability to the business.

Conclusion

In the modern world, all the above mentioned elements play important role in business. Business has increased the comforts of life of the people by mass production and distribution of goods. The banking sector, insurance companies, the fast means of communication and transport play a vital role in business in the present day of world.

➢ **Meaning and Concept of Trade**:

Trade is the buying and selling of goods and services. It involves the direct exchange of goods and services for money or other goods, which is called barter. It is the transfer of goods and services from one person or entity to another, following payment or exchange of goods. It is sometimes called Commerce or Financial transaction or even barter. A network that allows trade is called a market.

Trade is an important factor of production, because in its absence, the producer or manufacturer will not do business, since every business is set up to make profit.

Importance of Trade:

1. Trade enhances production of goods and services.
2. It creates employment even for people who cannot read or write.
3. It gives room for variety of items to be produced.
4. It creates relationship between buyers and sellers.
5. It helps in growth of industries.
6. It brings people of diverse culture and languages closely.
7. It brings development to a country.
8. It enhances movement of people from one place to another.
9. It promotes communication.
10. It brings technology closer to people.
11. Through trade, resources (raw materials) are converted into finished products for people to use.
12. It is a business one can start with little capital.
13. It enhances the social well being of citizens by exposing them to variety of quality products including luxury items.

Forms of Trade

Trade is divided into two main parts: Home Trade And Foreign Trade.

A) Home Trade:

This is the exchange of goods or the buying and selling of goods and services within a country.

It is also known as domestic or internal trade and has two subdivisions, wholesale trade and retail trade.

i. Wholesale Trade: This involves buying goods in large quantity from the manufacturer/producer and selling in small quantities to the retailers. A person who does this is known as a wholesaler.

The wholesaler is often times called the middleman because he is in between the producer and the retailer.

ii. Retail Trade: In this form of home trade, goods are bought in small quantities from the wholesalers or sometimes direct from the manufacturer and sold in units to the public or final consumers.

A retailer is a person who buys goods from the wholesaler or directly from the manufacturer and sells them in small quantities to the final consumers.

B) Foreign Trade:

This is the exchange, buying and selling of goods and services between two or more countries of the world. It is also known as international trade or external trade. Like home trade, Foreign trade is divided into three groups. They are Import trade, Export trade and Entrepôts trade.

i. Import Trade: This is the bringing in of goods and services, knowledge and technology into a country from another country.

ii. Export Trade: This is the selling of a country's home made goods and services to other countries of the world.

iii. Entrepot: This type of trade involves the importing and re-exporting of goods, It is a trade of buying goods from a country and the goods are not sold in the country of import, but rather exported to other countries. For example, you import a goods into a country, then you also export that goods to another country, that is "Entrepot…

➢ **Meaning & Concept of Commerce**

Commerce is a branch of business. It is concerned with the exchange of goods and services. It includes all those activities, which directly or indirectly facilitate that exchange.

Commerce looks after the distribution aspect of the business. Whatever is produced it must be consumed, to facilitate this consumption there must be a proper distribution channel. Here comes the need for commerce which is concerned with the smooth buying and selling of goods and services.

Definition

According to James Stephenson,

"Commerce is an organized system for the exchange of goods between the members of the industrial world."

In a broader sense,

"Commerce is that part of business which is concerned with the exchange of goods and services and includes all those activities which directly or indirectly facilitate that exchange."

Importance of Commerce

The importance of trade and commerce are mentioned in following points :-

1. **Commerce tries to satisfy increasing human wants**
   Human wants are never ending. They can be classified as 'Basic wants' and 'Secondary wants'. Commerce has made distribution and movement of goods possible from one part of the world to the other. Today we can buy anything produced anywhere in the world. This has in turn enabled man to satisfy his innumerable wants and thereby promoting social welfare.

2. **Commerce helps to increase our standard of living**

Standard of living refers to quality of life enjoyed by the members of a society. When man consumes more products his standard of living improves. To consume a variety of goods he must be able to secure them first. Commerce helps us to get what we want at right time, right place and at right price and thus helps in improving our standard of living.

3. **Commerce links producers and consumers**
   Production is meant for ultimate consumption. Commerce makes possible to link producers and consumers through retailers and wholesalers and also through the aids to trade. Consumers get information about different goods through advertisements and salesmanship. The manufacturers are regularly informed about the likes and dislikes of the consumers through marketing research. Thus commerce creates contact between the centers of production and consumption and links them.

4. **Commerce generates employment opportunities**
   The growth of commerce, industry and trade bring about the growth of agencies of trade such as banking, transport, warehousing, advertising, etc. These agencies need people to look after their functioning. Increase in production results in increasing demand, which further results in boosting employment opportunities. Thus development of commerce generates more and more employment opportunities for millions of people in a country.

5. **Commerce increases national income and wealth**
   When production increases, national income also increases. In a developed country, manufacturing industries and commerce together accounts for nearly 80% of total national income. It also helps to earn foreign exchange by way of exports and duties levied on imports. Thus, commerce increases the national income and wealth of a nation.

6. **Commerce helps in expansion of aids to trade**

With the growth in trade and commerce there is growing need for expansion and modernization of aids to trade. Aids to trade such as banking, communication, advertising and publicity, transport, insurance, etc., are expanded and modernised for the smooth conduct of commerce.

7. **Commerce helps in growth of industrial development**
   Commerce looks after the smooth distribution of goods and services made available by the industry. Without commerce, industry will find it difficult to keep the pace of production. It helps to increase demand for goods on one hand and on the other hand it helps industries by getting them the necessary raw materials and other services. Hence, commerce helps in attaining better division of labour and industrial progress.

8. **Commerce encourages international trade**
   Through commerce we can secure a fair and equitable distribution of goods throughout the world. With the help of transport and communication development, countries can exchange their surplus commodities and earn foreign exchange, which is very useful for importing machinery and sophisticated technology. It ensures faster economic growth of the country.

9. **Commerce benefits underdeveloped countries**
   Underdeveloped countries can import skilled labour and technical know-how from developed countries. While the advance countries can import raw materials from underdeveloped countries. This helps in laying down the seeds of industrialization in the underdeveloped countries.

10. **Commerce helps during emergencies**
    During emergencies like floods, earthquakes and wars, commerce helps in reaching the essential requirements like foodstuff, medicines and relief measures to the affected areas.

- **Meaning & Concept of Industry:**
  Industry is the production of goods or related services within an economy. The major source of revenue of a group or company is the indicator of its relevant industry. When a large group has multiple sources of revenue generation, it is considered to be working in different industries. Manufacturing industry became a key sector of production and labour in European and North American countries during the Industrial Revolution, upsetting previous mercantile and feudal economies. This came through many successive rapid advances in technology, such as the production of steel and coal. The manufacturing or technically productive enterprises in a particular field, country, region, or economy viewed collectively, or one of these individually. A single industry is often named after its principal product; for example, the auto industry. For statistical purposes, industries are categorized generally according a uniform classification code such as Standard Industrial Classification (SIC).

Importance of Industrial Policies

1. **Deployment of Natural Resources**
   The industrial policy helps in full deployment of natural resources of the country. It helps in identifying, collecting and using resources properly. It facilitates increase in national income of the country.

2. **Modernisation**
   The industrial policy encourages modernisation for increasing industrial output and productivity. It envisages the use of modem and latest production techniques m industrial sector. It facilitates maximum output at minimum cost of production.

3. **Balanced Industrial Development**
   The industrial policy envisages balanced industrial development of the country. It also facilitates balanced development of various sectors of the economy.

4. **Balanced Regional Development**
   The industrial policy helps in balanced regional development of the country. The industrial policy may contain provisions regarding providing facilities or concessions for rapid development of industrially backward areas/regions of the country.

5. **Coordination between Basic and Consumer Industries**
   The balanced development of basic and consumer industries is essential for economic growth. The industrial policy encourages development of basic and key industries on the one hand, while attention is paid to the development of consumer industries also on the other. Thus, by balanced and coordinated development of both type of industries it provides a pace to economic growth.

6. **Coordination between Small Scale and Large Scale Industries**
   The industrial policy plays a vital role in coordinated development of small scale or cottage industries and large scale industries. These industries can be made mutually helpful to each other through the provisions of industrial policy.

7. **Area Determination**
   The industrial policy determines the area of operation under public and private sector. Proper direction can be shown to private sector through the country's industrial policy.

8. **Cordial Industrial Relations**
   A comprehensive industrial policy is needed to establish cordial relations between workers and management. Cordial industrial relations are essential for rapid and sustainable industrialisation.

9. **Proper Utilisation of Foreign Assistance/investment**
   An appropriate industrial policy envisages to attract foreign capital and entrepreneurs. It helps rapid industrial development of the country; A well thought of industrial policy checks the demerits of

“foreign assistance. The foreign aid can be used in the national interest if an appropriate industrial policy is pursued by the count.

<u>Sole Proprietorship</u>

Introduction

The sole proprietorship is the simplest business form under which one can operate a business. The sole proprietorship is not a legal entity. It simply refers to a person who owns the business and is personally responsible for its debts. A sole proprietorship can operate under the name of its owner or it can do business under a fictitious name, such as Nancy's Nail Salon. The fictitious name is simply a trade name--it does not create a legal entity separate from the sole proprietor owner.

The sole proprietorship is a popular business form due to its simplicity, ease of setup, and nominal cost. A sole proprietor need only register his or her name and secure local licenses, and the sole proprietor is ready for business. A distinct disadvantage, however, is that the owner of a sole proprietorship remains personally liable for all the business's debts. So, if a sole proprietor business runs into financial trouble, creditors can bring lawsuits against the business owner. If such suits are successful, the owner will have to pay the business debts with his or her own money.

“One man’s business is best in the world, if that one man is big enough to manage everything.”

Meaning of Sole Proprietorship:

Sole trader-ship (proprietorship) is that form of business organisation whose owner is just one person, who is called the sole trader. This person invests capital in the business, and is solely responsible for all the profits and losses of the business. The same personals the manager and organizer of the business.

Definition of Sole Proprietorship

According to **'Prof Hynes'**

"Sole Proprietorship is that form of business which has a single owner, who has the total responsibility of the business, who runs the business and also bears the risk on the failure of business."

In the words of **'Dr. John A Shubin'**

"Under the Sole Tradership Business, a single man is an organizer; he is the owner and runs the business by his own name."

<u>Characteristics of Sole Proprietorship</u>

1. **Sole Ownership**
   Single person is the owner in this type a of business. That person is responsible for all the things relating to the business. He himself bears all the risk and organize the whole business. On the closure of business he is personally liable for all gains and losses.
2. **Unlimited Liability**
   The liability of a sole trader is unlimited. On the occasion of any loss in the business, not only the business assets, but also the private assets of the sole trader (house, shop or land etc.) can be sold for recovery of losses.
3. **Limited Work Area**
   The work at of a sole proprietor business is limited because the capital acquiring and organisational skills of a person are limited. Thus, the progress of sole proprietorship is limited to the resources of its owner.
4. **Sole Right on Capital**
   The arrangement of Capital to be invested in the sole trade, has to be done by the proprietor. Thus, he has full right on the capital.
5. **Sole Management**
   The sole proprietor is himself responsible for the control and management of the business. With the expansion of the business, the proprietor can organize staff for his own convenience, but he himself deemed to be responsible for the work done by the managers.
6. **No Legal Formalities**
   To start business of partnership or Joint Stock Company, some legal

formalities like registration etc. is required, but the sole proprietor need not fulfill any such formalities before starting his business, and business can be easily started.

7. **Free to Select his Business**
   The sole proprietor can select any business according to his abilities and will, and can make any changes in his selection of business, when required.
8. **Willful Commencement and Closure**
   The sole trader can commence or close his business any time he wants. He need not fulfill any legal formalities for these.

MERITS OF SOLE PROPRIETORSHIP

There some major merits of sole proprietorship has been given as below:

1. Sole benefits:
A sole trader enjoys all the profits generated by his business.
2. Minimal legal formalities:
There are minimal legal formalities required when forming the business. What is mostly required is a trading license which is offered at a small fee.
3. Secrecy:
A sole trader enjoys the top secrets of his business. These are normally the secrets that make his business successful and no one else can know it.
4. Personal contact:
It is easier for a sole trader to maintain closeness with his customers and employees.
This is because employees and customers are few in number, hence, he is able to know them individually consequently attending to their problems.
5. Freedom of action:
A sole trade does not need to consult anyone when making decisions. This is so because he is the only and final decision maker. Decisions can be made quickly.
6. It is flexible:
Changes can be made within a short period and time.

DEMERITS OF SOLE PROPRIETORSHIP

The demerits for a sole proprietorship organization are given as below:

1. Lack of enough capital to expand the business:
This is because he does not have enough security to acquire a big loan.
2. Unlimited liability:
This simply means that a sole trader bears all the losses of the business when it fails.
3. Poor decision making:
The owner often makes quick and poor decisions. This is because he might lack specialization in some areas of decision making e.g. specialization in financial markets.
4. Lack of Continuity:
The death of a sole trade may affect the continuity of the business. In most cases, the business collapses when the owner dies.

Unit – II Partnership

Partnership

Definition: The term **partnership**, is used to mean a business structure wherein **two or more individuals**, come together for undertaking a **lawful business** and have agreed to **share the profits and losses** arising from it. The **management and operation** of the business should be performed either by **all the partners or any of them, acting for all the partners.**

The Partnership is the **relation** which subsists between individuals, who have decided to pool their money, skill and resources in business, to share profits and losses, in an agreed ratio. The members of a partnership, are jointly known as the **partnership firm** and severally known as **partners**.

In India, it is governed by the **Indian Partnership Act, 1932** and is formed as per the provisions of the act. It is started through a legal agreement between partners, called as **partnership deed**. It lays down the terms and conditions regulating partnership, such as profit and loss sharing ratio, nature of the business, duration of business, duties and obligations of partners, capital contributed by each partner, manner of conducting business and so on.

Characteristics of Partnership

1. **Membership**: At least **two** persons are required to begin a partnership while the maximum number of members is limited to **100**. Further, all the individuals entering into partnership must be legally competent to do so, as they have to enter into a contract to become partners. Thus, minors,

insolvent and lunatic persons cannot become members, but a minor can be admitted to partnership, to share profits.

2. **Unlimited liability**: The members of a partnership have unlimited liability, i.e. they are **collectively and individually liable** for the firm's debts and obligations. So, if in case business assets are not adequate to repay liabilities, personal assets of all or any partner can be claimed by the creditors to realise the outstanding amount.
3. **Sharing of profit and loss**: The main purpose of the partnership is to share profit in the **agreed ratio**. However, in the absence of any agreement between partners, the business profits or losses are divided equally among all the partners.
4. **Mutual Agency**: The partnership business is undertaken by all the partners or any of the partner, who acts on behalf of all the partners. So, every partner is a principal as well as an agent. Further, the **acts of partners bind each other as well as the firm**.
5. **Voluntary Registration**: The registration of partnership is not mandatory, but it is **recommended**, as it offers certain benefits, **e.g.** in case of any conflict among partners, any partner can file suit against other partner or if there is any dispute between firm and outside party, then also the firm can file a case against that party.
6. **Continuity**: There is a **lack of continuity** in partnership, like death, bankruptcy, retirement or insanity of any partner can lead the **partnership to end**. Although, if the remaining partners want to continue operations, they can do so by a fresh agreement.
7. **Contractual Relationship**: The relation subsisting between partners is due to the contract, which may be **oral, written or implied**.
8. **Transfer of interest**: **Mutual consent** of all the partners is a must for transferring the interest in the firm to any external party.

In a partnership, the decision making is done with the mutual consent of all the partners. They share among themselves the decision making and control of the regular business operation.

Types of Partnership

- By duration:
  - **Partnership at will**: Partnership existing as per the will of the partners.

- **Particular partnership**: When the partnership is created, to carry on a certain project, for a specified time.

- By liability:
  - **General Partnership**: Partnership in which partners have unlimited and joint liabilities. All the partners can take part in the management, and they are bound by the acts of one another as well as of the firm.
  - **Limited Partnership**: The type of partnership in which except one partner all the partners have limited liability.

This form of business organisation is easy to set up because it does not require any fees or process. In addition to this, partners enjoy **tax benefit**, as in, the profit earned or loss incurred by the business **pass through to the partner's personal income tax return**.

Related Terms:

1. **Types of Companies**
2. **Sole Proprietorship**
3. **Joint Venture**
4. **Net Profit Margin Ratio**
5. **Limited Liability Partnership (LLP)**

Partnership – advantages and disadvantages

Consider a partnership if the number of people involved is small (up to about 20) and limited liability is not necessary.

Advantages of a partnership include that:

- two heads (or more) are better than one
- your business is easy to establish and start-up costs are low
- more capital is available for the business
- you'll have greater borrowing capacity
- high-calibre employees can be made partners

- there is opportunity for income splitting, an advantage of particular importance due to resultant tax savings
- partners' business affairs are private
- there is limited external regulation
- it's easy to change your legal structure later if circumstances change.

Disadvantages of a partnership include that:

- the liability of the partners for the debts of the business is unlimited
- each partner is 'jointly and severally' liable for the partnership's debts; that is, each partner is liable for their share of the partnership debts as well as being liable for all the debts
- there is a risk of disagreements and friction among partners and management
- each partner is an agent of the partnership and is liable for actions by other partners
- if partners join or leave, you will probably have to value all the partnership assets and this can be costly

Partnership Deed and Registration

A partnership is a very common form of business organisation. Especially in India, partnership firms are generally finding favour when the business is medium scale. So it is important that we learn about the Partnership deed and the registration of such deeds.

Suggested Videos

Classification of business

Partnership Deed

Now a partnership is when two persons form an association to carry out a business with the motive to earn profits. They share the profits from such a business. Such an association will be voluntarily entered into by the partners based on an agreement between them.

Such an agreement between partners can be written or can even be oral. However, it is strongly advised for legal and practical purposes that such an agreement or contract be in the written form. And this written agreement between partners to form a partnership firm is what we call a Partnership Deed.

Browse more Topics under Forms Of Business Organisations

- Introduction and Evaluation to Forms of Business Organisations
- Sole Proprietorship
- Joint Hindu Family Business
- Cooperative Society
- Partnership
- Types of Companies
- Joint Stock Company
- Forms of Organising Public Sector

Learn more about Types of Companies here in detail

Contents of Partnership Deed

This partnership deed will contain all the conditions and the legalities of the partnership deed. It will provide a guiding basis for all future activities. And in case of a dispute or legal proceedings, it can also be used as evidence. A general partnership deed will contain the following information,

- The agreed name of the Partnership Firm. Please note that such a name cannot have the words “company” or “private company” in it.
- The nature of the business will also be mentioned in the deed
- Date of commencement of such business
- The place of business, i.e addresses of main office or branch offices if any, where communication can be sent
- The duration of a partnership if it is a partnership for a specific purpose or time. If it is a partnership at will then no such duration will be mentioned
- Contribution to the capital of all the partners
- Profit sharing ratio. However, if no ratio is given it is assumed that the profit is shared by all the partners equally.
- Salary of all active partners
- Interest on contribution and the interest on drawings (must be according to the provisions of the Indian Partnership Act 1932)
- Terms and conditions of the retirement or expulsion of a partner, and the terms to continue the partnership after such an incident
- The day-to-day functioning of the firm and the distribution of the managerial duties among the partners
- Preparation of the firm’s accounts and the provisions for internal and statutory audit
- Procedure for voluntary or forced dissolution of the firm

- Guidelines for solving any disputes and arbitration process to be followed

(Source: coinsage)

Registration of Partnership

As per the Partnership Act 1932, it is not compulsory to register a partnership firm. The firm does not have a separate legal identity and registration will not alter this fact. However, registration is the definite proof of the existence of the firm and its legality.

Non-registration of a firm has some real-life legal consequences for the partners and the firm itself. So it is always advisable to draw up a written partnership deed and register the firm with the Registrar of Firms. The consequences of not doing so are as follows,

- The firm cannot file legal proceedings against any third party for any situation. For example, if the client has not paid his dues to the firm, the firm cannot sue him if it is unregistered.
- An unregistered firm cannot fail a case against a partner for any reason (like mismanagement, theft etc)
- A partner of an unregistered firm cannot file a suit against one of the other partners either.

Procedure of Registration

According to the India Partnership Act 1932, there is no time limit as such for the registration of a firm. The firm can be registered on the date when it is incorporated or any such date after so. The requisite fees and fines must be paid. The procedure for such a registration is as follows,

1] Application to the Registrar of Firms in the prescribed form (Form A). Nowadays this facility is even available online. Such an application must contain certain basic details about the firm such as,

- Name of the Partnership Firm
- Name and address of all partners
- Place of business (address of main and branch offices)
- Duration of the partnership
- Date of joining of partners
- Date of commencement of business

2] The duly signed copy of the Partnership Deed (which contains all the terms and conditions) must be filled with the registrar

3] Deposit/pay the necessary fees and stamp duties

4] Once the registrar approves the application, the firm will be entered into the records. And the registrar will also issue a certificate of incorporation.

And this is how the process of registration will be completed and the firm will attain legal recognition.

Rights of Partners:

Broadly, the provisions of the Act regarding rights, duties and powers of partners are as under:

(a) Every partner has a right to take part in the conduct and management of business.

(b) Every partner has a right to be consulted and heard in all matters affecting the business of the partnership.

(c) Every partner has a right of free access to all records, books and accounts of the business, and also to examine and copy them.

(d) Every partner is entitled to share the profits equally.

(e) A partner who has contributed more than the agreed share of capital is entitled to interest at the rate of 6 per cent per annum. But no interest can be claimed on capital.

(f) A partner is entitled to be indemnified by the firm for all acts done by him in the course of the partnership business, for all payments made by him in respect of partnership debts or liabilities and for expenses and disbursements made in an emergency for protecting the firm from loss provided he acted as a person of ordinary prudence would have acted in similar circumstances for his own personal business.

(g) Every partner is, as a rule, joint owner of the partnership property. He is entitled to have the partnership property used exclusively for the purposes of the partnership.

(h) A partner has power to act in an emergency for protecting the firm from loss, but he must act reasonably.

(i) Every partner is entitled to prevent the introduction of a new partner into the firm without his consent.

(J) Every partner has a right to retire according to the Deed or with the consent of the other partners. If the partnership is at will, he can retire by giving notice to other partners.

(k) Every partner has a right to continue in the partnership.

(l) A retiring partner or the heirs of a deceased partner are entitled to have a share in the profits earned with the aid of the proportion of assets belonging to such outgoing partner or interest at six per cent per annum at the option of the outgoing partner (or his representative) until the accounts are finally settled.

Duties of Partners:

(a) Every partner is bound to diligently carry on the business of the firm to the greatest common advantage. Unless the agreement provides, there is no salary.

(b) Every partner must be just and faithful to the other partners.

(c) A partner is bound to keep and render true, proper, and correct accounts of the partnership and must permit other partners to inspect and copy such accounts.

(d) Every partner is bound to indemnify the firm for any loss caused by his willful neglect or fraud in the conduct of the business.

(e) A partner must not carry on competing business, nor use the property of the firm for his private purposes. In both cases, he must hand over to the firm any profit or gain made by him but he must himself suffer any loss that might have occurred.

(f) Every partner is bound to share the losses equally with the others.

(g) A partner is bound to act within the scope of his authority.

(h) No partner can assign or transfer his partnership interest to any other person so as to make him a partner in the business.

Dissolution of Partnership

A *partnership* is a kind of business where a formal agreement between two or more people is made and agreed to be the co-owners, distribute responsibilities for running an organization and share the income or losses that the business generates.

In India, all the aspects and functions of the partnership are administered under 'The Indian Partnership Act 1932'. This specific law explains that partnership is an association between two or more individuals or parties who have accepted to share the profits generated from the business under the supervision of all the members or behalf of other members.

In this agreement, all the rights and responsibilities of each partner who has set up the business. The *partnership agreement* features the names of both the parties or partners, the purpose for which the partnership is founded, place of business, each partners investment amount, and sharing of profits between the partners.

However, this partnership can be dissolved only when some predefined provisions according to the Partnership Act of 1932 are matched such as:

1. Dissolution by Agreement
2. Dissolution by Notice
3. Dissolution by the Court
4. Compulsory Dissolution
5. Conditional Dissolution

Also, Explore:

- Nature of Partnership
- Partnership Deed

What is the dissolution of Partnership?

The dissolution of a partnership means termination or end of every contractual tie between partners. This indicates that the operation of a partnered company is suspended and the assets are issued to fund a different set of liabilities.

But, there is a distinction between these two concepts (dissolution of partnership and partnership firm). Dissolution of partnerships means the end of the partnership business, whereas, dissolution of partnership firm indicates the termination of the partnership among the partners and the firm. Suppose, if a current partner expires, retires, and is unable to settle the debt then rest of the partners can buy the share percentage of the departing partner and resume the operation of the firm under the same title.

Unit – III Joint Stock Companies

Joint Stock Company

When you think of all the largest companies in the world, these are not proprietorships or partnerships. These companies are all joint stock companies. When dealing with business on a fairly large scale, a joint stock company is the most suitable form of business organisation. Let us see why.

Suggested Videos

Classification of business

Basics of starting a business

SolveQuestions

Answer the following questions:

Mention any six features or characteristics of co-operative societies.
1 Verified answer

Shares of a company can be brought and sold ________.
1 Verified answer

A business organisation registered under the Companies Act of 1956 is a _____ .
1 Verified answer

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Joint Stock Company

The simplest way to describe a joint stock company is that it is a business organisation that is owned jointly by all its shareholders. All the shareholders own a certain amount of stock in the company, which is represented by their shares.

Professor Haney defines it as "*a voluntary association of persons for profit, having the capital divided into some transferable shares, and the ownership of such shares is the condition of membership of the company*." Studying the features of a joint stock company will clarify its structure.

Features of a Joint Stock Company

Quick summarywith stories

1] Artificial Legal Person

A company is a legal entity that has been created by the statues of law. Like a natural person, it can do certain things, like own property in its name, enter into a contract, borrow and lend money, sue or be sued, etc. It has also been granted certain rights by the law which it enjoys through its board of directors.

However, not all laws/rights/duties apply to a company. It exists only in the law and not in any physical form. So we call it an artificial legal person.

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- Introduction and Evaluation to Forms of Business Organisations
- Sole Proprietorship
- Joint Hindu Family Business
- Cooperative Society
- Partnership
- Partnership Deed and Registration
- Types of Companies
- Forms of Organising Public Sector

2] Separate Legal Entity

Unlike a proprietorship or partnership, the legal identity of a company and its members are separate. As soon as the joint stock company is incorporated it has its own distinct legal identity. So a member of the company is not liable for the company. And similarly, the company will not depend on any of its members for any business activities.

3] Incorporation

For a company to be recognized as a separate legal entity and for it to come into existence, it has to be incorporated. Not registering a joint stock company is not an option. Without incorporation, a company simply does not exist.

4] Perpetual Succession

The joint stock company is born out of the law, so the only way for the company to end is by the functioning of law. So the life of a company is in no way related to the life of its members. Members or shareholders of a company keep changing, but this does not affect the company's life.

5] Limited Liability

This is one of the major points of difference between a company and a sole proprietorship and partnership. The liability of the shareholders of a company is limited. The personal assets of a member cannot be liquidated to repay the debts of a company.

A shareholders liability is limited to the amount of unpaid share capital. If his shares are fully paid then he has no liability. The amount of debt has no bearing on this. Only the companies assets can be sold off to repay its own debt. The members cannot be made to pay up.

6] Common Seal

A company is an artificial person. So its day-to-day functions are conducted by the board of directors. So when a company enters any contract or signs an agreement, the approval is indicated via a common seal. A common seal is engraved seal with the company's name on it.

So no document is legally binding on the company until and unless it has a common seal along with the signatures of the directors.

7] Transferability of Shares

In a joint stock company, the ownership is divided into transferable units known as shares. In case of a public company the shares can be transferred freely, there are almost no restrictions. And in a public company, there are some restrictions, but the transfer cannot be prohibited.

Requirements for registration of joint-stock companies.

Before the registration in pursuance of this Part of a joint-stock company, there shall be delivered to the Registrar the following documents:-

(a) a list showing the names, addresses and occupations of all persons who on a day named in the list, not being more than six clear days before the day of registration, were members of the company, with the addition of the shares or stock held by them respectively, distinguishing, in cases where the shares are numbered, each share by its number;

(b) a copy of any Act of Parliament or other Indian law, Act of Parliament of the United Kingdom, Royal Charter, Letters Patent, deed of settlement, deed of partnership or other instrument constituting or regulating the company; and

(c) if the company is intended to be registered as a limited company, a statement specifying the following particulars:-

(i) the nominal share capital of the company and the number of shares into which it is divided or the amount of stock of which it consists;

(ii) the number of shares taken and the amount paid on each share;

(iii) the name of the company, with the addition of the word "Limited" or "Private Limited" as the case may require, as the last word or words thereof; and

(iv) in the case of a company intended to be registered as a company limited by guarantee, a copy of the resolution declaring the amount of the guarantee.

What is Joint Stock Company

A joint stock company is an organization which is owned jointly by all its shareholders. Here, all the stakeholders have a specific portion of stock owned, usually displayed as a share.

Each joint stock company share is transferable, and if the company is public, then its shares are marketed on registered stock exchanges. Private joint stock company shares can be transferred from one party to another party. However, the transfer is limited by agreement and family member.

Related link: *What is Partnership?*

Features of Joint Stock Company

1. **Separate Legal Entity –** A joint stock company is an individual legal entity, apart from the persons involved. It can own assets and can because it is an entity it can sue or can be sued. Whereas a partnership or a sole proprietor, it has no such legal existence apart from the person involved in it. So the members of the joint stock company are not liable to the company and are not dependent on each other for business activities.
2. **Perpetual –** Once a firm if born, it can only be dissolved by the functioning of law. So, company life is not affected even if its member keeps changing
3. **Number of Members –** For a public limited company, there can be an unlimited number of members but minimum being seven. For a private limited company, only two members. In general, a partnership firm cannot have more than 10 members in one business.
4. **Limited Liability –** In this type of company, the liability of the company’s shareholders is limited. However, no member can liquidate the personal assets to pay the debts of a firm.

5. **Transferable share –** A company's shareholder without consulting can transfer his shares to others. Whereas, in a partnership firm without any approval of other partners, a partner cannot move his share.
6. **Incorporation –** For a firm to be accepted as an individual legal entity it has to be incorporated. So, it is compulsory to register a firm under a joint stock company.

Also read: Importance of Partnership Agreement

Types of Joint Stock Company

The joint stock company is divided into three different types.

- **Chartered Company –** A firm incorporated by the king or the head of the state is known as a chartered company.
- **Statutory Company –** A company which is formed by a particular act of parliament is known as a statutory company. Here, all the power, object, right, and responsibility are all defined by the act.
- **Registered Company –** An organization that is formed by registering under the law of the company comes under a registered company.

Students can also refer to *Basic Concepts of Accounting for Partnership*

Example of Joint Stock Company

Few examples are mentioned below.

- Indian Oil Corporation Ltd.
- Tata Motors Ltd.
- Reliance Industries Ltd.
- State Bank of India

The above mentioned is the concept, that is elucidated in detail about 'Joint Stock Company' for the Commerce students. To know more, stay tuned to BYJU'S.

Promotion and Company are the two basic formalities that company that need to face when their Business comes into existence. Business or company need to be promoted through marketing strategies. This makes your company public visible in the market. People invest their initial funds are called the promoters of the company.

There are different forms documents prepared by the promoters to make company according to the need of the market. Documents can be Memorandum of association and Article of association. Promoters also have the right to decide whether the company will be **private limited company** and public limited company.

Memorandum of Association

Following are the charter or constitution that provided in MoA

- Company's name
- Company's Registered Address
- Activities Company wishes to carry on
- Amount of Share capital and units

Article of Association

Following are some of the charter or constitution that provided in AoA

- Set of rules of the internal management of the company.
- According to the Companies act Article of association can be altered from time to time into pursuance or any previous of this act.
- AoA are the subordinate and controlled by MoA

Promoter is mainly a person involved in prelimnary work of the company. It can be renumerated for its services. It has its contract before the formation of the company. Promoters are the nominee or first **director of the company**. They are also required to work compulsorily in the formation of the company. Professionals such as chartered accountant, solicitor also and they are paid for their service. In India promoters generally secure the management of the company.

Functions performed by the Promoters

- Decision of the name of the company can be accepted by the registrar
- Arranges printing of MoA and AoA

- Details of the Company are added such as MoA, AoA, Nomination of the director, Bankers, Auditors and registered office of the company.

Company Incorporation

Company incorporation is a lawful mean forbidden law and contrary to the public policy. Many Companies have Certificate of Incorporation but that does not mean company is lawful. Subscribing names MoA putting their signatures to the memorandum.

Documents to be filed by Registrar

- Memorandum of Association signed by the subscriber.
- Articles of Association if any duly signed by the subscribers of the memorandum
- Statement of the nominal capital
- Individual or company proposes to manage whole time director.
- Notice of the address and registered office of the company.
- Things can be filed at the time registered.
- List of the directors and first director of the company.
- Written consent to be signed by each person.

Certificate of Incorporation

After **Company Registration**, Registrar will issue whereby he certifies that company is incorporated. Date of incorporation mentioned in the Certificate of the incorporation and company becomes capable of all the functions perpetual, common seal etc. It also shows details about the company are separate from its shareholders. Issued by the registrar all the rules compiled within the rule and regulation.

There are many benefits of company registration or incorporation.

- Company become legal distinct entity
- Company acquires perpetual succession
- Company property is not regarded as the property of shareholder
- Establishment of Business Account
- Company can ask ventures to raise funds
- Employees take interest towards the company

Unit – IV Co-operative and state Ownership

A cooperative society is a voluntary association of persons of moderate means, who unite together to protect and promote their common economic interests. Features: Voluntary association: Everyone having a common interest is free to join a cooperative society and can also leave the society after giving proper notice. Legal status: Its registration is compulsory and it gives it a separate identity. Limited liability: The liability of the member is limited to the extent of their capital contribution in the society. Democratic control: Management and control lies with the managing committee elected by the members by giving vote. Every member has one vote irrespective of the number of shares held by him. Service motive: The main aim is to serve its members and not to maximize the profit. State control: They have to abide by the rules and regulations framed by government for them. Distribution of surplus: The profit is distributed on the basis of volume of business transacted by a member and not on the basis of capital contribution of members. Merits: Ease of formation: It can be started with minimum of 10 members. Registration is also easy as it requires very few legal formalities. Limited liability: The liability of members is limited to the extent of their capital contribution. Stable existence: Due to registration it is a separate legal entity and is not affected by death, lunacy or insolvency of any of its members. Economy in operations: There is economy in operation due to elimination of middle man and voluntary services provided by its members. Government support: Government provides support by giving loans at lower interest rates, subsidies and by charging less taxes. Social utility: It promotes personal liberty, social justice and mutual cooperation. They help to prevent concentration of economic power in a few hands. Limitations: Shortage of capital: It suffers from shortage of capital as it is usually formed by people with limited means. Inefficient management: Cooperative society is managed by elected members who may not be competent and experienced. Moreover it can't afford to employ expert and experienced people at high salaries. Lack of motivation: Members are not inclined to put their best efforts as there is no direct link between efforts and reward. Lack of secrecy: Its affairs are openly discussed in its meeting which makes it difficult to maintain secrecy. Excessive government control: It suffers from excessive rules and regulations of the government. It has to get its accounts audited by the auditor and has to submit a copy of its accounts to registrar. Conflict among members: The members are from different sections of society with different view points. Sometimes when some members become rigid, the result is conflictRead more on Sarthaks.com - https://www.sarthaks.com/99592/explain-the-meaning-features-merits-and-demerits-of-cooperative-society

Unit – V Insurance

The 7 Principles of Insurance Contracts: When You Need A Lawyer

January 12, 2018 Justin McMinn

Defining an insurance contract can be very beneficial when you are **negotiating** or **deciding** if you need a lawyer in your personal injury case. There are seven basic principles that create an **insurance contract** between the insured and the insurer:

1. Utmost Good Faith
2. Insurable Interest
3. Proximate Cause
4. Indemnity
5. Subrogation
6. Contribution
7. Loss Minimization

These 7 principles combine to form an insurance contract. In this blog we are going to briefly explain each item and try to show you how understanding each item can shed light into your personal injury case and insurance questions. These are principles ***open to interpretation***. So if you think your case has breached one of these principles or your insurance claim has wrongfully been denied. Jason McMinn and Justin McMinn for help understanding your rights.

Being able to understand these 7 principles will give you the tools you need to advocate for your rights,

The Principle of Utmost Good Faith

- Both parties involved in an insurance contract—the insured (policy holder) and the insurer (the company)—should act in good faith towards each other.
- The insurer and the insured must provide clear and concise information regarding the terms and conditions of the contract

This is a very basic and primary principle of insurance contracts because the nature of the service is for the insurance company to provide a certain level of security and solidarity to the insured person's life. However, the insurance company must also watch out for anyone looking for a way to scam them into free money. So each party is expected to act in good faith towards each other.

If the insurance company provides you with falsified or misrepresented information, then they are liable in situations where this misrepresentation or falsification has caused you loss. If you have misrepresented information regarding subject matter or your own personal history, then the insurance company's liability becomes void (revoked).

See how a social media post could ruin a personal injury case.

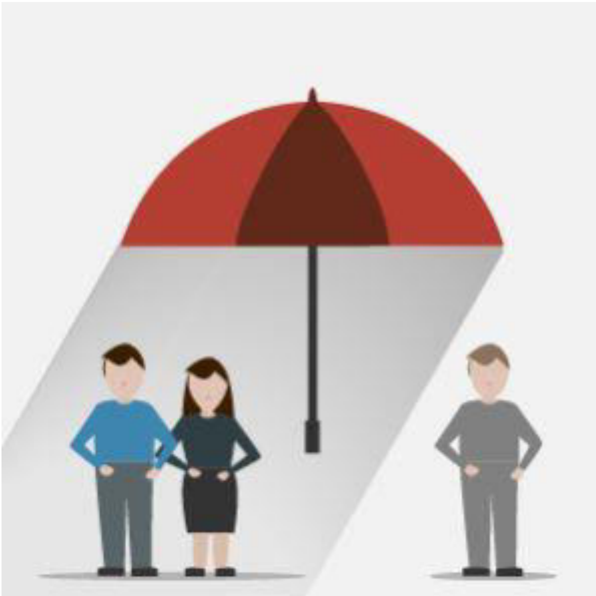
The Principle of Insurable Interest

Insurable interest just means that the subject matter of the contract must provide some financial gain by existing for the insured (or policyholder) and would lead to a financial loss if damaged, destroyed, stolen, or lost.

- The insured must have an insurable interest in the subject matter of the insurance contract.
- The owner of the subject is said to have an insurable interest until s/he is no longer the owner.

In auto insurance, this will most times be a no brainer, but it does lead to issues when the person driving a vehicle doesn't own it. For instance, if you are hit by a person who isn't on the insurance policy of the vehicle, do you file a claim with the owner's insurance company or the driver's insurance company? This is a simple but crucial element for an insurance contract to exist.

Q&A: What happens after an accident with an uninsured driver?



In Texas, if you are hurt in a car accident in which the at-fault driver is uninsured, the uninsured, at-fault driver will be ticketed or taken to jail. If your insurance covers accidents involving an uninsured driver, you can make a claim for loss and damage. How much you are able to recover depends on many factors. It's a good idea to take advantage of a free case evaluation offered by personal injury attorneys, Jason and Justin McMinn. An experienced lawyer could help you navigate the many procedural aspects of recovering an appropriate settlement from your insurance company after a devastating accident with an uninsured driver.

Related

- Hurt by uninsured or underinsured driver?
-

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The Principle of Indemnity

- Indemnity is a guarantee to restore the insured to the position he or she was in before the *uncertain* incident that caused a loss for the

insured. The insurer (provider) compensates the insured (policyholder).
- The insurance company promises to compensate the policyholder for the amount of the loss up to the amount agreed upon in the contract.

Essentially, this is the part of the contract that matters the most for the insurance policyholder because this is the part of the contract that says she or he has the right to be compensated or, in other words, indemnified for his or her loss.

The amount of compensation is in direct proportion with the incurred loss. The insurance company will pay up to the amount of the incurred loss or the insured amount agreed on in the contract, whichever is less. For instance, if your car is inured for $10,000 but damages are only $3,000. You get $3,000 not the full amount.

Compensation is not paid when the incident that caused the loss doesn't happen during the time allotted in the contract or from the specific agreed upon causes of loss (as you will see in The Principle of Proximate Cause). **Insurance contracts are created solely as a means to provide protection from unexpected events, not as a means to make a profit from a loss.** Therefore, the insured is protected from losses by the principle of indemnity, but through stipulations that keep him or her from being able to scam and make a profit.

The Principle of Contribution

- Contribution establishes a corollary among all the insurance contracts involved in an incident or with the same subject.
- Contribution allows for the insured to claim indemnity to the extent of actual loss from all the insurance contracts involved in his or her claim.

For instance, imagine that you have taken out two insurance contracts on your used Lamborghini so that you are covered fully in any situation. Let's say you have a policy with Allstate that covers $30,000 in property damage and a policy with State Farm that cover $50,000 in property damage. If you end up in a wreck that causes $50,000 worth of damage to your vehicle. Then about $19,000 will be covered by Allstate and $31,000 by State Farm.

This is the principle of contribution. Each policy you have on the same subject matter pays their proportion of the loss incurred by the policyholder. It's an extension of the principle of indemnity that allows proportional responsibility for all insurance coverage on the same subject matter.

The Principle of Subrogation

This principle can be a little confusing, but the example should help make it clear. Subrogation is substituting one creditor (the insurance company) for another (another insurance company representing the person responsible for the loss).

- After the insured (policyholder) has been compensated for the incurred loss on a piece of property that was insured, the rights of ownership of this property go to the insurer.

So lets say you are in a car wreck caused by a third party and your file a claim with your insurance company to pay for the damages on your car and your medical expenses. Your insurance company will assume ownership of your car and medical expenses in order to step in and file a claim or lawsuit with the person who is actually responsible for the accident (i.e. the person who should have paid for your losses).

The insurance company can only benefit from subrogation by winning back the money it paid to its policyholder and the costs of acquiring this money. Anything paid extra from the third party, is given to the policyholder. So lets say your insurance company filed a lawsuit with the negligent third party after the insurance company had already compensated you for the full amount of your damages. If their lawsuit ends up winning more money from the negligent third party than they paid you, they'll use that to cover court costs and the remaining balance will go to you.

The Principle of Proximate Cause

- The loss of insured property can be caused by more than one incident even in succession to each other.
- Property may be insured against some but not all causes of loss.
- When a property is ***not*** insured against all causes, the nearest cause is to be found out.
- If the proximate cause is one in which the property is insured against, then the insurer must pay compensation. If it is not a cause the property is insured against, then the insurer doesn't have to pay.

When buying your insurance policies, you will most likely go through a process where you select which instances you and your property will be covered for and which ones they will not. This is where you are selecting which proximate causes are covered. If you end up in an incident, then the proximate cause will have to be investigated so that the insurance company validates that you are covered for the incident.

This can lead to disputes when you have suffered an incident you thought was covered but your insurance provider says it's not. Insurance companies want to make sure they are protecting themselves but sometimes they can use this to get out of being liable for a situation. This might be a dispute where you'll need a lawyer to help argue for you.

The Principle of Loss Minimization

This is our final principle that creates an insurance contract and the most simple one probably.

- In an uncertain event, it is the insured's responsibility to take all precautions to minimize the loss on the insured property.

Insurance contracts shouldn't be about getting free stuff every time something bad happens. Therefore, a little responsibility is bestowed upon the insured to take all measures possible to minimize the loss on the property. This principle can be debatable, so call a lawyer if you think you are being unfairly judged under this principle.

And That, Ladies and Gentlemen, is What Makes Up an Insurance Contract

If you think you've been the victim of a breech of contract or that your provider has failed to maintain their duty to you, call us for a free consultation. We can help you work the ins and outs of insurance company jargon and combat their track record of unfair treatment towards policy holders.

8 Types of Insurance — and 8 Reasons You Need Them

Unexpected cost? There's an insurance for that.

Life will throw you a curve ball — there's no question about that. Whether you'll have insurance when it does is another matter entirely.

Insurance buffers you from unexpected costs. And while most people know that insurance is important, not everyone knows the different types of insurance out there and how they can help.

Some common types of insurance include:

- Health insurance
- Car insurance
- Life insurance

- Home insurance

But there are others, too. Here are eight types of insurance, and eight reasons you might need them.

1. Health insurance

Why you need it: Both expected and unexpected health care expenses — including routine visits, medications, emergency stays, and serious surgeries — can add up quickly and cause a lot of debt for those who can't afford the out-of-pocket costs.

Who needs it: Everyone

What it is: Health insurance is a contract between a health insurer and a policy holder that requires the health insurer to pay for all or at least a portion of medical costs.

2. Car insurance

Why you need it: Driving while uninsured is against the law and dangerous because the driver and their vehicle aren't protected against an accident, collision, or general theft and vandalism.

Who needs it: Drivers

What it is: Auto insurance covers cars, motorcycles, trucks, and other vehicles, and is intended to protect against physical damage or bodily injury that could result from driving, whether the incident is reckless or an accident.

3. Life insurance

Why you need it: Death can be expensive — from settling an estate to planning a funeral, the associated costs can really set you back — but a life insurance policy will ease the financial burden placed on a surviving spouse and dependents (i.e. children).

Who needs it: Those with dependents

What it is: In the event of death, a life insurance policy pays a beneficiary an agreed-upon amount of money to cover the expenses left by the deceased. A beneficiary is the person or entity named in a policy who receives benefits, such as a spouse.

4. Homeowners insurance

Why you need it: Maintain your home and keep its property value high, plus be covered in the case of major damage, like a house fire.

Who needs it: Homeowners and landlords

What it is: Homeowners insurance covers the house you reside in and any associated structures, such as a porch, garage, and balcony.

5. Umbrella insurance

Why you need it: If you think you may need extra coverage in addition to another type of insurance policy, for example on a home or vehicle, then umbrella insurance will help further protect you from risk of being sued for damages.

Who needs it: Anyone already insured

What it is: Liability insurance is what's called umbrella insurance, because it covers costs in excess of other insurance policies.

6. Renters insurance

Why you need it: Things happen — that's a mantra every renter knows to be true, and so they protect themselves and their property while renting. In fact, many landlords require it.

Who needs it: Tenants

What it is: Renters insurance is used by tenants to cover personal property in case of damage or theft, which is not the responsibility of the landlord.

7. Travel insurance

Why you need it: Planning to jet off to a new destination? Then make sure the cost of your airfare is covered in case of medical emergencies or other incidents that may cause a trip to be cut short.

Who needs it: Travelers

What it is: Travel insurance covers trip cancellations, lost or misplaced luggage, travel accidents, and even medical expenses while on the trip.

8. Pet insurance

Why you need it: Paying into pet insurance may be more cost-effective than paying a lump sum to your vet should your pet need emergency medical treatment, like an emergency room visit.

Who needs it: Pet owners

What it is: Pet insurance (mostly for dogs and cats) covers all or part of veterinary treatment when a pet is hurt or sick. There are two types of pet insurance: a wellness plan that covers routine visits and shots, and a health insurance plan that is more comprehensive of genetic diseases and major surgeries.

Expert perspectives

Here is expert insight regarding types of insurance that are often overlooked — but important.

Health insurance

Michael Stahl, Executive VP and CMO of HealthMarkets

[H]aving adequate health insurance is a must. HealthMarkets recently conducted a survey where we asked more than 1,700 people of various ages, locations, and backgrounds throughout the United States about their health insurance plans and the coverage(s) provided. We found the following results:

- Uninsured respondents frequently had higher costs for emergency medical care but are the least likely to be able to afford it.
- More than 80% of uninsured respondents who had an emergency either could not afford the costs or required six or more months to pay off the bills.
- While Medicare and Medicaid recipients were the least likely to have to pay for emergency costs, when they did, they were the least able to afford it out of the insured population.
- Those on Medicare or Medicaid were two times more likely not to be able to afford emergency costs compared to those with employer-provided plans.
- More Medicare or Medicaid recipients had lost monthly premiums and low monthly out-of-pocket costs than those on employer-provided or Affordable Care Act (ACA) plans.

Life insurance

Jason Fisher, founder and owner of BestLifeRates.org

Life insurance is one type of insurance that is readily available, and yet, all its benefits are often overlooked. People tend to think of life insurance only as the means to pay final expenses. Although this is true, one of the more compelling reasons to purchase life insurance is to replace lost income for those that remain and are dependent upon that income to help keep the bills paid and/or to pay off debt.

An often overlooked expense that occurs when someone passes their property on to their heirs is estate taxes. Sufficient life insurance provides a way to pay these taxes. It’s wise to consider if the amount of your estate is large enough to warrant the need to cover estate taxes.

Life insurance is also a way for a parent or parents to ensure that their kids can still go to college if something should happen to one or both of them.

Then there are insurance policies that will accumulate cash value. The accumulated cash value can be borrowed against in lieu of taking out a loan when you’re short on cash.

For the business owner, a substantial life insurance policy can insure against business loss. Effectually, a key-man policy insures that if a business partner/partners or key employee/employees are lost in a fatality, the remaining partner/partners would have the financial resources to continue the business and find replacements for those individuals.

Umbrella insurance

Logan Allec, CPA and owner of Money Done Right

Think of an umbrella insurance policy as extra insurance for your insurance. … For example, let’s say you get into a car crash. Your auto insurance will pay out and make you whole. Now, let’s imagine in your car crash that the other car is a Lamborghini. Your insurance might not cover enough damage in that situation. Rather than paying out of pocket, your umbrella insurance policy will kick in and cover the difference. While not a likely scenario, an umbrella policy here could save you thousands of dollars.

In other words, your umbrella insurance policy will add extra protection to all of your existing insurance policies in case you are in a situation where your insurance just is not enough.

Uninsured motorist coverage

Prosper Shaked, owner of The Law Offices of Prosper Shaked

The number of uninsured and/or underinsured drivers in many states is staggering. This is especially true in states like Florida, which do not require that vehicles carry bodily injury coverage. Uninsured motorist coverage applies in situations where the at-fault vehicle owner and its driver either lack bodily injury coverage or fail to maintain bodily injury with enough coverage.

As a personal injury attorney in Florida, I handle many unfortunate cases involving individuals who suffered injuries due to motor vehicle collisions. More than half of my clients are unable to pursue a claim against the at-fault driver and vehicle owner because these at-fault individuals did not carry bodily injury coverage. In these situations, the injured individuals are unable to successfully pursue a claim for their injuries and damages against the at-fault parties. These individuals are often left with mounting medical bills that they are forced to pay out of their own pocket. This can lead to financial ruin, all because of some other person's negligence. However, if the injured individual carries uninsured motorist coverage, they will have an insurance policy that will cover their medical bills, lost wages, pain and suffering, and any other damages they sustained as a result of the motor vehicle collision.

Uninsured motorist coverage also provides an additional layer of protection in the event that the at-fault parties do not have sufficient bodily injury coverage. This would be helpful in a situation where the at-fault parties carry minimal bodily injury coverage (i.e. $10,000.00) and the injured person's injuries and damages far exceed [that amount]. The uninsured motorist policy would step in and provide the extra funds to pay for the damages that run in excess of the minimal bodily injury policy.

It is extremely important for drivers to purchase uninsured motorist coverage to protect themselves and their passengers from the growing number of uninsured and/or underinsured drivers on the road today.

I find myself having many difficult conversations with my clients explaining that I cannot pursue a claim on their behalf because the at-fault parties lack any bodily injury coverage. It is a tragic outcome, especially when there are catastrophic life-changing injuries.

Flood insurance

Stacey A. Giulianti, Esq., CLO of Florida Peninsula Insurance Company

One of the most overlooked forms of insurance for residential property owners is flood insurance — even in areas that are not considered 'flood zones.' Almost one of every four flood claims occur in areas not designated as flood zones. Flooding is the number one natural disaster in the United States, and it's not covered under the standard homeowners insurance policy. According to FEMA, 5 inches of water in a home will cause more than $11,000 worth of damages.

Renters insurance

Colby Hager, owner of Capstone Homebuyers

I am a real estate professional who buys houses and owns and manages rental properties. As someone who manages rental properties, one often overlooked insurance need is renters insurance. This is generally not required insurance, which is why it is commonly overlooked. However, tenants' belongings are not covered by the owners' property insurance. In the event of a flood, natural disaster, burglary, fire, or other mishaps, the tenants' belongings would be at risk. Generally speaking, a renters policy is relatively low cost and can provide a great deal of peace of mind should an accident or other event occur.

Travel insurance

Joel Ohman, CEO, CFP® and founder of Insurance Providers

One type of insurance that is often overlooked is travel insurance. Conversely, sometimes people buy travel insurance when they don't need [it.] … Unless you are well familiar with the benefits you already enjoy with any of your other current insurance policies, credit card benefits, membership programs, etc., then you could potentially end up buying a policy that has some duplication of benefits with what you already have.

The vast majority of typical major medical health insurance policies only offer a travel insurance element to the extent that it involves emergency care. There are usually very restrictive provisions on what is and isn't covered, so those who are planning to travel would do well to purchase a separate travel insurance policy with the specific benefits that they are looking for.

Some of the things to look for in a travel insurance policy include the following major types of travel insurance coverage: major medical, accident, evacuation (immediate transport home in the event of a major illness or accident), and trip cancellation/interruption. Each of these different elements can be purchased separately or combined as a package policy.

One major pro to purchasing a comprehensive travel insurance policy is simply peace of mind.

Unit – VI Export & Import Trade

Import Trade

Import trade refers to purchasing goods and service from a foreign country.

Import Trade

Meaning

Import trade refers to purchasing goods and service from a foreign country. For Example Purchase of chemicals by an Indian company from France is termed as import. Domestic purchaser of goods is termed as importer and overseas seller is called exporter.

Objectives of Import Trade

Objectives of import trade have been highlighted hereunder.

1. Achieving Rapid Industrialization

Developing countries can achieve rapid industrialisation by importing advanced technology scarce raw materials, capital goods like machinery equipment, etc., and talents from other countries.

2. Meeting Consumer Demand

Certain goods are either not available or cannot be manufactured / produced adequately to meet the growing demand in home country. Hence import is necessary to meet the short supply of those goods.

3. Upgrading Standard of Living of the People

Consumers are able to use a wide variety of goods like cell phone, car laptop. television audio system, washing machine, perfume, soaps, etc., manufactured in foreign countries and enhance their standard of living through import trade.

4. Meeting Shortage Situation

During famine, earthquake, flood draught, tsunami, abnormal price-increase situations and so on food grains, vegetables and other essential commodities are imported from foreign countries and bad situation arising from the above situations are thus overcome.

5. Strengthening Defence

Many countries around the world import defence equipments for its armed force. Such imports enable the country to ensure its sovereignty and territorial integrity.

Import Procedure

Import procedure varies from country to country depending upon the foreign trade policy of a country. Government of India has framed rules and regulations for the import. The import procedures has been clearly spelt out of Government of India. Following are the procedures of import trade.

1. Obtaining Import License

Importer has to secure Import and Export Code (IEC) from the Director General of Foreign Trade or its Regional Authority. The Indian Institute classification (ITC)–Harmonized System (HS) classified the goods into three categories, namely Restricted, Canalised and Prohibited. Goods not specified in the above categories can be freely imported without any restrictions. Import license is not required to import the goods not mentioned in the above classification. An import license is valid for 24 months for capital goods and 18 months for other goods.

ON THE LETTERHEAD OF THE EXPORTER

To

The Commissioner of Customs
Custom House
Chennai 600 001

Dear Sir,

Sub : **AD CODE, IFS CODE, IE CODE, BANK DETAILS – REGN. FOR KATTUPALLI PORT**

I/We wish to inform you that we are maintaining Current Account Number ________ with ________ Bank, ________ Branch, Chennai, Tamilnadu.

IMPORT EXPORT CODE :
BANK BRANCH CODE :
IFS CODE :
AUTHORISED DEALER CODE :
BANK ACCOUNT NUMBER :
BANK NAME :
BRANCH ADDRESS :

I/We hereby declare that the above particulars are correct and certified that the above particulars are correct.

For ____

Signature verified without any obligation
In the bank or any of its officials
For ________ Bank

Importer has to submit the copy of IEC to customs authorities at the time of clearance of goods. The second copy of IEC is used to obtain foreign exchange from RBI.

2. Trade Enquiry

Having obtained IEC, the intending importer has to make enquiry from exporter or his agents. Importer makes request by e-mail or postal mail to supply the details given below.

a. Specification of goods like size, design, quality etc.,
b. Quantity goods available
c. Price per unit
d. Terms of shipping
e. Terms of payments i.e. Letter of credit Documents against Acceptance (D/A)or Documents against Payment (D/P)
f. Probable delivery time
g. Validity of offer period

Importer responds to enquiry by sending proforma invoice

3. Obtaining Foreign Exchange

Since importer has to settle import bills in foreign currency, he has to obtain foreign exchange. Importer has to provide IEC code in the form supplied by authorized dealer to get foreign exchange.. The importer has to submit an application along with necessary documents to the Exchange Control Department of RBI. After scrutinising the said application, the Reserve Bank of India will sanction the release of foreign exchange.

4. Placing an Indent Order

Importer places an order either directly or through an indent houses. The indent contains the details like type of goods, design of goods, price, quantity, grade, packing instructions, insurance, delivery mode, desired delivery period, mode of period, mode of shipment, etc.,

5. Opening Letter of Credit(L/C)

Where foreign exporter does not know Indian importer, he may like to ensure the creditworthiness of the unknown importer. In such a case, exporter may advise the importer to arrange for letter of credit in his favour..Letter of credit is a document under which issuing bank undertakes to make payment on behalf of the importer or to the order of importer in exchange for specified documents from exporters bank. The letter of credit is issued only for financially sound importer. Exporter’s bank eventually sends the document to issuing bank which releases the payment.

6. Receiving Shipping Document

The importer collects shipping documents along with the advice note of shipment of goods from the exporters. Advice note contains a written message through which exporter informs the importer about the dispatch of goods and advise him to make agreement for taking delivery of goods on arrival of goods at the port of destination. The captain of the ship informs the dock authorities about the arrival of goods on a document called Import General Manifest. The customs authorities in turn inform the importer concerned about the arrival of goods at the port.

7. Appointment of Clearing Agents

There are lot of formalities involved in clearing the goods imported from the port. Normally importer does not feel comfortable with completing the formalities by himself. In this case he may delegate the task of clearing the imported goods from the port of discharge to clearing agent who is well-versed in this job. The latter performs the job for a fee. The importer sends all the documents to the clearing agent to enable him to take delivery of goods after fulfilling the customs formalities prescribed in this regard.

8. Fulfillment of Customs Formalities

Clearing agent engaged by the importer performs the following activities in connection with taking delivery of goods from the port.

i. Getting Endorsement for Delivery

The clearing agent gets bill of lading endorsed by importer in his favour to enable him to take delivery of goods and approaches the shipping company. Where the freight is not paid, the clearing agent pays it. The shipping company may give a separate delivery order after collecting the freight charges or it may simply endorse on the bill of lading by the importer or by his agent itself as a proof payment of freight charges.

ii. Payment of Dock Dues

The clearing agent submits two copies of filled in Application form to "Landing and Shipping Dues Office. This office levies charges on all the imported goods. The clearing agent has to pay Dock charges by Dock challan. After paying dock charges 'Landing and Shipping Due Office stamps on the application form itself with wordings like Dock charges paid' or it may issue a separate receipt called Post Trust Dues Receipt.

iii. Preparation of Bill of Entry

Bill of Entry is prepared in triplicate in order to pay custom duty. This document contains the details like name and address of importer, the name of the ship, full description of the goods, number of packages, importer and exporter code (IEC) name of the exporting country and custom duty payable. Bill of Entry is issued in three colours. The black form is meant for non-dutiable goods while the blue form is meant for the goods within the country and the violet is intended for re-export. Import duty is calculated on the basis of details given in the bill of entry by customs authorities. Where the importer / clearing agent does not know the exact /and full details about goods imported, he will prepare a bill of sight.

Specimen of Bill of Entry

Bill of Entry											
Vessel			Master or Agent		Port of Shipment		Port of Destination			Importer's Name and Address	
Packages		Quantity		Description of each class of Goods	Real Value as per Sea Customs Act		Value on which duty is assessed			Duty	
Number	Marks	Unit	Amount		Rate	Amount	Tariff Rate	Add Value	Amount	Rate	Amount

Total Value Rs______________

Total Duty Rs________________

He would provide as much as details possible about the goods imported to the extent of his memory and with specific remark that he cannot give complete information about the goods imported. In such a case , customs authorities will complete the statement and import duty only after assessing the arrival of goods at the port of delivery.

iv. Payment of Import Duty

The clearing agent / importer submits the bill of entry and other required documents to the customs authorities. He pays import duty in the case of dutiable goods to the customs authorities.

v. Release Order From Dock

After payment of customs duty, the bill of entry has to be marked by the dock. Superintendent and an examiner are instructed to physically examine the goods. He gives his report on the bill of entry. Then the bill is passed over to the port authority. He would issue release order.

vi. Getting Delivery From The Dock.

The clearing agent takes delivery of goods from the dock after submitting the documents like, Port Trust Dues Receipt, Bill of Entry and Bill of Lading. If the goods are imported for re-export, the agent / importer will deposit them in a bonded warehouse and receives Dock Warrant.

vii. Dispatching Goods to the Importer

The agent despatches the goods to the importer by the rail/ road. He gets Railway Receipt (R/R) or Lorry Receipt (L/R) from the transporter.

viii. Sending Advice to the Importer

Clearing agent informs the despatch of goods to the importer and sends Railway Receipt / Lorry Receipt with the statements of expenses incurred by him and the commission payable to him for his service.

9. Taking Delivery of Goods

Importer takes delivery of goods from the Railway /Carrier after producing the Railway Receipt or Lorry Receipt.

10. Settlement of Import Bill

The importer settles the import bill in the following ways.

a. Importer collects shipping document after payment

b. Importer gets shipping documents after payment of bills of exchange in the case of Documents against payments (D/P)

c. Importer gets shipping documents after giving acceptance on bills of exchange in the case of Documents against Acceptance(D/A)

Documents used in import trade

1.Import License (IEC)

2.Indent

3. Letter of Credit

Import Documents

- Import License
- Indent
- Letter of Credit

- Bill of Entry
- Bill of sight
- Port Trust Dues Receipt
- Bill Of Lading
- Bill of Exchange
- Advice Note

India is Major Trading Partners (Imports)

Value Rs - in Cr.

Rank	Country	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018
1	CHINA	309,234.96	369,565.36	404,043.38	411,093.52	241,603.57
2	U A E	135,613.46	133,420.60	142,678.20	149,655.40	75,526.59
3	U S A	174,126.66	159,624.88	126,981.39	144,237.12	73,060.39
4	SAUDI ARAB	220,515.49	171,220.87	132,579.98	133,945.75	36,403.90
5	SWITZERLAND	78,209.64	135,367.33	126,074.29	54,906.18	63,805.46
6	SINGAPORE	112,338.18	78,181.10	79,098.18	77,704.41	56,757.88
7	GERMANY	44,107.06	34,088.62	39,635.91	115,619.29	41,194.34
8	HONG KONG	89,035.42	91,845.35	85,363.11	90,081.93	62,408.53
9	INDONESIA	111,637.70	82,720.09	85,799.57	84,404.33	50,896.11
10	IRAQ	41,063.47	67,918.84	47,734.89	47,541.69	22,212.35
	Total of Top countries	1,315,882.04	1,323,953.03	1,269,988.91	1,309,189.62	723,869.12
	% Share of Top countries	48.46	48.38	51	50.79	50.99
	OTHER COUNTRIES	1,399,538.74	1,412,723.96	1,220,307.40	1,268,471.75	695,623.91
	% Share of other countries	51.54	51.62	49.00	49.21	49.01
	India's Total Imports	2,715,420.78	2,736,676.99	2,490,296.31	2,577,661.37	1,419,493.03

Intermediaries in Import Trade

1. Indent Houses/ Import Agent

This intermediary is specialized in a particular trade. He charges fees for his service. Importer has to enter into contract with indent house to avail himself of his service

Services rendered by Indent Houses/ Import Agent

The services rendered include the following

- Helping the importer get orders from foreign countries
- Providing information about the availability of goods of various types and arranging credit facilities to importer
- Maintaining regular contact with the exporter and obtaining sample and transmitting it to the importer

2. Clearing Agent

Clearing Agent is specialised in clearing the goods from the port of discharge destination and transport it over to the importer. They fulfill the various custom formalities on behalf of the importer and get the goods cleared from the port. They charge commission for their service