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SOLVED ASSIGNMENT

ECO-01

Business Organization

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STEP 1

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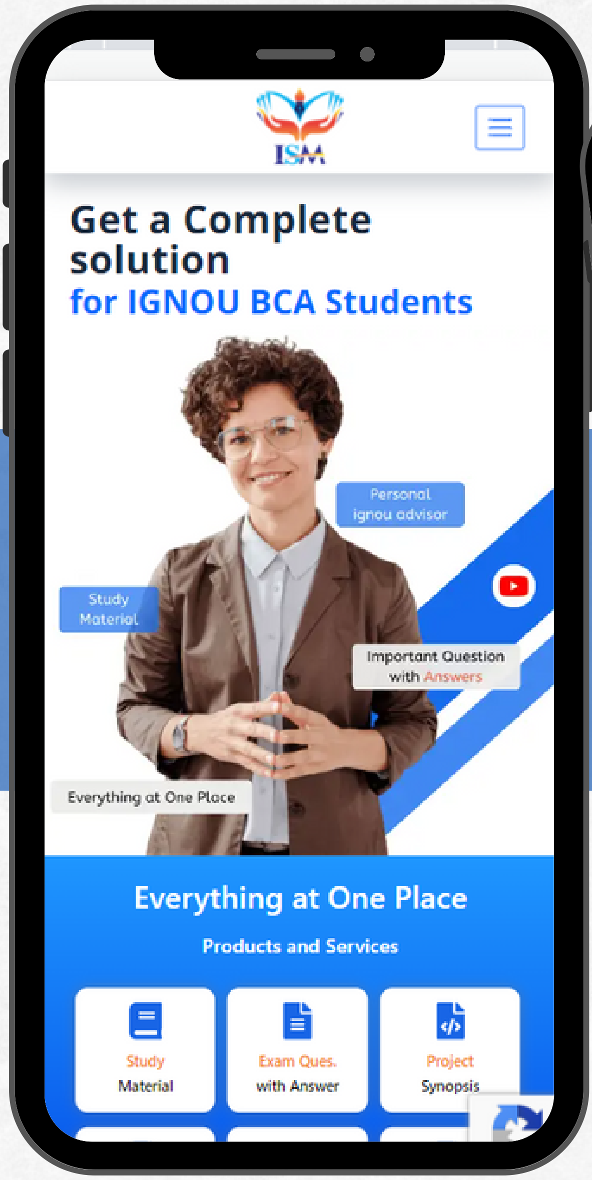
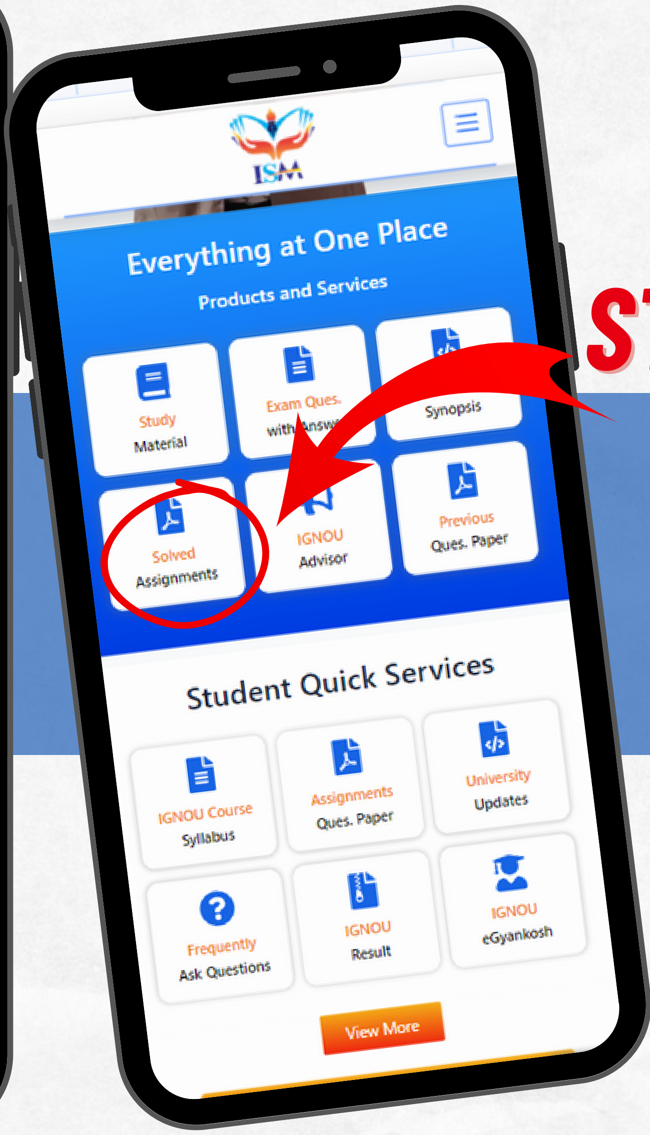


STEP 2



ECO-01
BUSINESS ORGANIZATION
[SEM-1]

Ques.4. Define the term 'Banker'. What is the relationship between a banker and his customer?

Ans. Banker: A person who in the ordinary course of his business honors cheques drawn upon him by persons from and for whom he receives money on current accounts is said to be a banker. The duty of the banker is to deal with the money that belongs to the public and he acts as an intermediary in connecting public at large with the bank.

There are different kinds of relationships between a banker and a customer:

The relationship of debtor and creditor

When a customer opens a bank account with the bank, he fills the form and other requisites compulsory for the same. When he deposits money in his bank account, he becomes a creditor to the bank. The bank becomes the debtor. The obligations of the bank to carry further business from the deposits of the consumer are solely dependent on their own choice. The bank can invest that money according to their own convenience. If the consumer wants to take back that money, then he needs to follow a procedure of withdrawal

Relationship of pledger and pledged

When a customer pledges an article (goods and documents) with the banker as a security for the payment of debt or performance of the promise, the customer becomes a pledger and the banker becomes the pledgee.

Relationship of trustee and beneficiary Whenabank receives money or other valuable securities, then the banker's position is of a trustee. On the other hand, when a bank receives money and uses it in various sectors, the bank becomes the beneficiary.

Relationship As Debtor And Creditor
The opening of a bank account in the bank of a banker by the person who has the capacity to contract is the basis of the debtor and creditor relationship between banker and customer. By filling the form for opening a bank account bind the banker and customer in the written contract. The customer when deposits his money into his bank account, becomes a creditor because he is giving his money to the bank indirectly. The money deposited by the customer in the bank account becomes the bank's property. The bank can use your money as it likes. By using your money, the bank becomes a debtor because he will take that money into his account to make further transactions with other bank customers. The bank is not liable to inform the customer about the utilization of his money.

Relationship As Principal And Agent
In the banking industry, the relationship between a banker and a customer can be considered as a principal-agent relationship. In this type of relationship, the customer (the principal) entrusts the bank or the banker (the agent) with their money and other financial assets, and the bank or the banker acts on the customer's behalf to manage and invest those assets.

key aspects of the relationship between a banker and their customer:

Contractual Agreement: The relationship begins with the establishment of a contractual agreement between the bank and the customer. This agreement outlines the terms and conditions under which the bank will provide various financial services, such as deposit accounts, loans, credit facilities, and investment options.

Fiduciary Duty: Banks have a fiduciary duty towards their customers. This means they are obligated to act in the best interests of the customer, maintaining confidentiality, exercising care, and avoiding conflicts of interest. This duty ensures that customers' financial interests are protected.

Trust and Confidence: A strong element of trust and confidence is essential in this relationship. Customers trust banks to safeguard their funds, provide accurate information, and deliver reliable financial services. Banks, in turn, rely on customers to provide accurate information, fulfill their financial obligations, and maintain good creditworthiness.

Confidentiality: Banks are bound by confidentiality obligations to protect customers' financial information and transactions. Customers expect their personal and financial data to be kept secure and not disclosed without their consent, except as required by law or regulatory authorities.

Financial Advisory: Banks often provide financial advice and guidance to customers, helping them make informed decisions about investments, loans, and other financial matters. This advice is expected to be unbiased and in the best interest of the customer's financial goals.

Resolution of Disputes: In case of any disputes or issues arising from the services provided by the bank, there are mechanisms in place for customers to raise concerns and seek resolution. Banks are expected to address customer complaints fairly and transparently.

Customer Service: A positive and efficient customer service experience is vital for maintaining a strong relationship. Banks strive to provide responsive and helpful customer service, addressing queries, concerns, and facilitating smooth transactions.

Ques5. Commentbriefly on the following statements:
A) Economics activities are concerned with production, exchange and distribution of goods and services.

Ans. Economic activities are those activities that are based on the production, distribution, exchange, and consumption of goods and services. Economic activities are carried out by human beings to earn their income and to acquire wealth. For example, a trader, an agriculturist, a manufacturer, a doctor, a teacher, and laborers working in a factory are all examples of economic activities. These activities are performed by people to earn their livelihood and to acquire wealth.

The essence of economic activities is the production, distribution, exchange, and consumption of goods and services. The return of economic activities can be expressed in monetary terms. A businessman earns profit, a doctor charges fees for his services, or a farmer grows vegetables to sell in the market.

Production: Economic activities involve the creation of goods and services to fulfill human needs and desires. This encompasses everything from manufacturing products to providing services like healthcare, education, and entertainment. Production involves combining various inputs (such as labor, capital, and raw materials) to create valuable outputs.

Exchange: Exchange refers to the transfer of ownership of goods and services between individuals, businesses, or nations. This exchange can take place through various mechanisms, including buying and selling in markets. Exchanges are based on the principles of supply and demand, where parties agree on a mutually beneficial transaction.

Distribution: Distribution involves the allocation and delivery of goods and services to different individuals, households, and businesses. It encompasses the movement of products from producers to consumers through channels such as wholesalers, retailers, and distributors. Distribution ensures that goods and services reach those who need them efficiently.

B) Statutory company

A company established by a special act of the parliament or state legislature is called a ‘statutory company’.A statutory company definition is defined as a company that is created by a Special Act of the Parliament. It is a company that provides services of value to the public.

Statutory company can be approved by either the Central or State Legislature Statutory Company. A statutory company is usually created with the intention of serving people rather than the traditional business goal of creating profits. Despite the fact that statutory companies have limited liability, they are not always required to utilize the limited title. The Board of Directors are nominated or appointed by the Government. Capital is either borrowed from the government or the public.

Example: Airports Authority of India

Features and characteristics of statutory companies:

Creation by Legislation: Unlike ordinary companies formed under company law, statutory companies are created through an act of the legislative body, such as a parliament or congress. The enabling legislation defines the company's objectives, powers, functions, governance structure, and operational scope.

Government Ownership and Control: Most statutory companies are owned and controlled by the government or a public authority. They often serve as instruments of public policy, delivering essential services or engaging in activities that are in the public interest.

Separate Legal Entity: Similar to other forms of companies, statutory companies are treated as separate legal entities from their shareholders or owners. They can sue and be sued, enter into contracts, and conduct business activities in their own name.

Limited Liability: Shareholders of a statutory company typically enjoy limited liability, meaning their liability is limited to the amount they have invested in the company. Their personal assets are not at risk in case of company debts or liabilities.

Specific Objectives: The primary purpose of a statutory company is usually outlined in the enabling legislation. It could be to provide essential public services (like water supply, electricity, transportation), manage public assets (such as ports or airports), or engage in activities that promote the public interest.

Government Oversight: Statutory companies are subject to government oversight, as they are often established to achieve public policy goals. Government agencies or ministries may have regulatory authority over their activities to ensure alignment with policy objectives.

Governance Structure: The governance structure of a statutory company varies based on the specific legislation. It might have a board of directors, executive management, and other administrative bodies responsible for decision-making and operations.

(c) Capital market denotes transactions involving procurement and supply of long-term funds which take place among individuals and institutions.

Ans. Capital market is the market that helps the companies in raising long term investment credit. It is the market for long term funds. It refers to all the facilities and institutional arrangement for borrowing and lending term funds. It does not deal in capital goods but ifs concerned with raising of money capital for purpose of investment. Thus the capital market embraces the system through which the public takes up long term securities either directly or through which the public takes up long term securities either directly or through intermediaries.

The structure of any capital market is composed of the sources of demand for long term capital and supply of, long term capital.The demand for capital comes from various categories of borrowers such as the central and state government local authorities and private industrial and manufacturing groups.

It includes:

Long-Term Funds: The capital market is primarily concerned with the trading of long-term financial instruments, such as stocks, bonds, and other securities. These instruments represent ownership in companies or debts owed by governments or corporations.

Procurement and Supply: The capital market functions as a platform where entities seeking funding can procure the required capital, and those with excess funds can supply them for investment. This dual process of procurement and supply creates an ecosystem for the efficient allocation of resources.

Individuals and Institutions: Participants in the capital market include a wide range of entities. Individuals, through their investments in stocks and bonds, contribute to the capital market. Institutional participants include mutual funds, pension funds, insurance companies, and banks, which pool resources from various investors to invest in the market.

Primary and Secondary Markets: The capital market can be divided into the primary market and the secondary market. In the primary market, new securities are issued and sold to investors through initial public offerings (IPOs) or bond issuances. In the secondary market, previously issued securities are bought and sold among investors, enabling liquidity and price discovery.

Risk and Return: Participants in the capital market are motivated by the potential for returns on their investments. However, the market also carries risks, including fluctuations in asset prices, interest rates, and economic conditions. Investors assess risk and return profiles before making investment decisions.

D)Retailing

Retailing refers to sale of goods to the ultimate users.

Retail describes the sale of a product or service to an individual consumer for personal use. The transaction itself can occur through a number of different sales channels, such as online, in a brick-and-mortar storefront, through direct sales, or direct mail. The aspect of the sale that qualifies it as a retail transaction is that the end user is the buyer.

When buyers buy a product and sell it to the final customers for their consumption, and not to any supplier or wholesaler, this is known as Retail. The retailers are the mediator between wholesalers and customers. They purchase goods from the wholesaler and sell them to the ultimate customers in small quantity.