

# ORGANIZATION OF COMMERCE & MANAGEMENT

## STD.XII

### MANAGEMENT OF MONEY



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of Secondary and Higher Secondary Education, Pune.

# **STD. XII Commerce**

# **Organization of Commerce**

# **&**

# **Management**

**Fourth Edition: March 2016**

## **Salient Features:**

- Exhaustive coverage of syllabus in Question Answer Format.
- Covers answers to all Textual Questions, Board Questions (Mar 08 – Oct 15).
- Relevant Marking Scheme for Each Question.
- Includes Additional Important Questions for better preparation.
- Mnemonics to facilitate easy answer recall.
- Quick Recap at the end of each chapter to facilitate quick revision.
- Two Model Question Papers as per the latest paper pattern.
- Includes Board Question Papers of 2014, 2015 and March 2016.
- Simple and Lucid language.
- Includes GG - our very own mascot.

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## PREFACE

Organization of Commerce and Management is a dynamic subject meant to be learnt outside the four walls of a classroom. This is a subject that is to be explored and understood in the course of our everyday life. This subject equips students with the techniques to choose a favorable form of business and sheds light on the information about various services required to support a business viz. transportation, warehousing etc. It familiarizes students with the growing importance of social responsibilities of a business and also with the rights of a consumer under the Consumer Protection Act. Additionally, it acquaints students with the principles of management, thus enhancing their management skills.

We present to you "**Std. XII Commerce: Organization of Commerce and Management**" with a revolutionary fresh approach towards content thus laying a platform for an in-depth understanding of the subject.

This book has been written according to the revised syllabus and guidelines as per the State Board and covers answers not only to the textual questions but also for board question papers from March 2008 to October 2015.

In addition to this, we have included extra questions in each lesson that not only aim at covering the entire topic but also make students ready to face the competition. The sub-topic wise classified "Question and Answer" format of this book helps students in easy comprehension.

Furthermore, we have provided model answers to each question in the form of pointers which makes it easy for students to memorize and reproduce the answers in their examinations.

We have incorporated "Mnemonics" to facilitate easy answer recall. Every chapter ends with a Quick Recap to facilitate quick revision of the lesson learnt. The book also includes two model question papers as per the latest paper pattern. The model questions are provided with relevant marking schemes so as to highlight the importance of each question.

We are sure this study material will turn out to be a powerful resource for students and facilitate them in understanding the concepts of this subject in the most lucid way.

The journey to create a complete book is strewn with triumphs, failures and near misses. If you think we've nearly missed something or want to applaud us for our triumphs, we'd love to hear from you.

Please write to us on: [mail@targetpublications.org](mailto:mail@targetpublications.org)

***Best of luck to all the aspirants!***

Yours faithfully,  
Publisher

### **Gyan Guru (GG)**

We present to you our mascot 'GG', who has been proudly introduced by us for the very first time in a book. GG is a student-buddy who pops up throughout the book and draws your attention to important bits of knowledge also termed as 'Good to Know'. These 'Good to Know' sections help you understand a concept distinctly with a corresponding example from your immediate environment. This is our initiative in education that helps linking learning to life and we're hopeful that you are going to love it.



# BOARD PAPER PATTERN

Time: 3 Hours

Total Marks: 80

- Q.1. Objective type questions:** [15]  
Includes three sub-questions of five marks each. All sub-questions are compulsory.
- (A) Select the proper option from the options given below and rewrite the completed sentences:**  
Five sub-questions. Each sub question carries three options. [one mark each]
- (B) Match the correct pairs:**  
Contains 5 points in Group 'A' and 10 options in Group 'B'. [one mark each]
- (C) Write an appropriate word or phrase or a term which can substitute each of the following statements:**  
Five sub-questions will be given. [one mark each]
- Q.2. Distinguish between the following:** [15]  
(Any three out of five) [5 marks each]
- Q.3. Write short notes on the following:** [15]  
(Any three out of five) [5 marks each]
- Q.4. State with reasons, whether the following statements are True or False:** [15]  
(Any three out of five) [5 marks each]  
[1 mark → For stating True or False; 4 marks → Reasons (Minimum four reasons are expected)]
- Q.5. Write short answers for the following:** [10]  
(Any two out of four) [5 marks each]
- Q.6. Long answer type question:** [10]  
(Any one out of two)

**Total: 80**

Scheme of Evaluation		
		Marks
<b>(A)</b>	Written Examination	80
<b>(B)</b>	Project (with Viva)	20
	<b>Total:</b>	<b>100</b>

## (A) Unitwise Weightage

Sr.No.	Units	Marks	Marks With Option
1.	Forms of Business Organizations	23	33
2.	Business Services	12	22
3.	Emerging Modes of Business	07	12
4.	Social Responsibility of Business	07	12
5.	Consumer Protection	07	17
6.	Principles of Management	07	12
7.	Functions of Management	12	17
8.	Entrepreneurship Development	05	05
	<b>Total:</b>	<b>80</b>	<b>130</b>

### (B) Weightage to Objectives

Sr. No.	Objectives	Marks	Percentage	Marks With Option
1.	Knowledge	15	15	18.75
2.	Understanding	20	40	25.00
3.	Application	25	40	31.25
4.	Skill	20	35	25.00
	<b>Total:</b>	<b>80</b>	<b>130</b>	<b>100.00</b>

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**Note: All Textual questions are represented by \* mark.**

# 03. Emerging Modes of Business

## Introduction

*A smart move taken by one of the diploma holder of Fashion Design*

*Zahra has just completed her diploma from a fashion school. Now she intends to start her own business but does not have enough funds to set-up a boutique and invest in readymade garments. She decides to start a website where she will upload her designs and let customers choose from sketches, select their size and so on.*

*On the basis of that, she will create garments for them and courier it to their homes.*

*Had she setup a boutique, she would have required a huge investment, comprising readymade garments for display, electricity bills, manpower cost, property rent, etc. The overheads per-month would go over ₹50,000 and her total investment would be nothing less than ₹20 lacs.*

*In an e-business like her's, she only has to bear the cost of the payment gateway and website maintenance along with the cost of marketing. It will together come to approximately ₹10,000/month. Designing and building a website is a one-time cost. The cost would certainly be lesser than setting-up a boutique.*

*This is just one example; there are many businesses today that have shifted to or expanded into e-business or e-commerce. Amazon, Flipkart, Snapdeal, ebay, OLX are some of the sites that come to our mind when we hear of e-business or e-commerce.*

*In the modern business scenario, the word "e" majorly stands for electronic i.e. anything that relates with the use of internet. The way of doing business has changed over the time. The revolution began in the late 1990's when some companies offered to carry out transactions over the internet.*

*The terms 'e-business' and 'e-commerce' are different. e-commerce is a branch of e-business. Today, most businesses connect with suppliers and manufacturers in other countries via internet.*

*In this chapter, you will learn about e-business as a whole and how transactions take place via internet.*

## "e-Business"

### **Origin of e-business:**

- The term e-business i.e. electronic business is derived from the terms "e-mail" and "e-commerce".
- The term "e-business" was coined by IBM's marketing and Internet teams in late 90's. The purpose was to provide the buyers a platform on the internet to buy and sell goods.
- The introduction of e-business created a new competition for the traditional businesses.
- e-commerce was a revolutionary idea that crystallized into a successful concept and further led to the emergence of the concept of e-business.
- The decade 2000 - 2010 has been a significant period for the emergence of e-business.

### **Concept of e-Business:**

- e-business means using the internet to connect people and processes. It also includes providing service to customers and collaborating with business partners across the globe.
- e-business connects, adapts and integrates IT-system, hence companies are able to manage their business more efficiently.
- The major benefits of e-business are cost reduction and productivity improvement.
- e-business includes transactions between consumers, manufacturers, suppliers and the government.
- e-business facilitates better communication between business houses and makes purchasing easier for large organizations.
- The scope of e-business is not just limited to online shopping; it also includes online stock, transactions and the use of software.



### “e-commerce”

- “Electronic-commerce” or “e-commerce” can be defined as the use of Internet to conduct business transactions.
- e-commerce helps the buyers and sellers to connect over the internet and trade with each other.
- Any form of business transaction conducted electronically is e-commerce. e-commerce is a kind of industry where the buying and selling of products / services is conducted over electronic systems such as the Internet and other computer networks.
- e-commerce is a sub branch or a part of e-business.

### Difference between “e-commerce” and “e-business”

e-commerce	e-business
e-commerce refers to ordering, buying & selling of products and services by using the internet.	e-business includes manufacturing, buying, selling and managing the entire business over the internet.
<b>For e.g.:</b> <b>Online Shopping:</b> Buying and selling goods on the Internet through websites. ebay, Amazon etc. are the most popular examples of e-commerce. <b>Internet Banking:</b> Through e-commerce, it is now possible to perform banking activities without visiting a bank branch.	<b>For e.g.:</b> <b>fibre2fashion.com</b> is an example of e-business where organizations dealing in fabrics and related products connect with each other and carry out online transactions. <b>moneycontrol.com</b> is another website where you can connect with brokers, buy and sell stocks, and also compare share prices of different companies.

### Types of e-business Transactions

Q.1.

Ans:

**Explain in brief the different types of e-business transactions.**

[10]

e-business means using the internet to connect people and processes for doing business. It also includes providing service to customers and collaborating with business partners across the globe. The various types of e-business transactions are as follows:

**i. Consumer to Consumer (C to C):**

- C to C transactions are transactions where consumers buy and sell goods and services from and to other consumers.
- There are no middlemen involved in this mode of business.
- The most notable examples of the C to C platform are eBay, Quickr and OLX.
- Such websites provide the consumers, options to display information and images of their products online.
- Consumers who want to buy goods can browse through the website and select the goods as per their needs and budget.
- They can also make the payment through the internet. This process has been made secured through advanced technology like Pay Net and Pay Pal.
- Consumers can also rate their products online and show their liking/disliking for a particular product.
- There are also consumer groups and forums that have been formed online for protecting the interests of the consumers and redressal of consumer complaints.

## ii. Business to Consumer (B to C):

- B to C transactions are transactions between business firms and consumers.
- A lot of business firms have realized the importance of having an online presence and have listed their products online.
- They also conduct various online marketing activities to promote their products and services.
- Customers are able to avail the products at discounted rates through this mode and the transactions are also processed at a much faster pace.

### Good to Know:

- Online Banking is also a form of B to C mode of business where the banks provide services to their customers such as transfer of money, online payment of bills etc. You are now not required to visit the branch personally.
- The process of withdrawal of funds from the bank has also been made simple with the introduction of Automated Teller Machines (ATM). The growth of ATM's in India has been exceptional and many people also refer ATM's as 'All Time Money'.



## iii. Business to Business (B to B):

- B to B transactions are transactions between business firms.
- Business firms depend on other business firms for a variety of services such as supplying spare parts, raw materials; providing value added services like catering or providing manpower etc.

### Good to Know:

- **Naukri.com** allows other business firms who are in search of manpower to access the resumes uploaded on its website.
- **Fibre2fashion.com** is a B to B platform where business firms connect with one another and buy and sell items required by their company.
- Through **Linkedin.com**, the business firms advertise themselves and get customers. This platform allows one to expand their business. It also helps companies hire the right candidates with the help of their LinkedIn Talent Solutions Specialist.



\*Q.2.

Ans:

## What are the advantages and disadvantages of e-business?

[10]

e-business means using the internet to connect people and processes for doing business. It also includes providing service to customers and collaborating with business partners across the globe. The internet and the emergence of e-business has provided entrepreneurs with many new advantages. However, it has few limitations too.

### Advantages of e-Business:

The advantages of e-business are as follows: **[Mnemonic: B – AVENGERS<sup>2</sup>]**

## i. Flexible Business Hours:

- The internet is accessible 24 x 7. This means that buyers and sellers can conduct transactions at any time as opposed to the regular trading hours of traditional business models.

## ii. Availability of Wide Range of Products:

- Consumers have access to a broader range of products and services from which they can select the products as per their choice.
- **For e.g.:** [flipkart.com](http://flipkart.com), [amazon.in](http://amazon.in) etc. offer a wide range of services and products to select from.

## iii. Very Low Start Up Cost:

- The initial investment for starting an e-business is generally lower than the cost associated with starting the same business using a traditional model.

**iv. Quick and Easy Communication:**

- Through e-business, it is easier and faster for the business organizations to communicate with their suppliers and their customers as there is no face-to-face interaction.

**v. No Physical Space:**

- e-business does not require physical space for operation.
- It requires highly qualified technical professionals.

**vi. Government Support:**

e-business gets a lot of support from the government.

**vii. Establishes Strong Relationship:**

- e-business enables strong relationship building between suppliers and consumers as there is direct contact between both the parties.

**viii. Renders a Global Platform:**

- e-business provides the business organizations with the opportunity to transact with buyers across the globe. It connects the consumers and the business organizations anywhere from the world through internet.

**ix. Easy Set Up:**

- It is very easy to set up e-business as compared to traditional business.

**x. Sound Communication:**

- e-business provides a platform for sound and direct communication between suppliers and consumers.

**Disadvantages of e-business:**

The disadvantages of e-business are as follows: **[Mnemonic: TIP - GRIP]**

**i. High Transaction Risk:**

- There are many internet frauds that are committed through hacking etc.
- There is a possibility of misuse of the buyer's bank details and this makes buyers insecure to perform online transactions and payments.

**ii. No Face-to-Face Interaction:**

- The absence of face-to-face interaction with the sellers makes the buyers insecure at times.

**iii. Personal Touch of Seller:**

- Since the transaction is online, the personal touch of the seller is missing and this may make the buyer insecure.

**iv. Government Interference:**

- Sometimes government monitoring can lead to interference in the business.

**v. Ineffective Return Policies:**

- Usually, all the online shopping sites come with a money back/product return policy. However, they do not work as effectively and spontaneously, in case of dissatisfaction of the customer.

**vi. Issues in Delivery:**

- Sometimes it becomes difficult for suppliers to deliver goods on time due to the lack of sound transport system in many parts of our country.

**vii. Lack of Personal Inspection:**

- Since the buyer cannot touch and feel the product before purchasing, many consumers avoid online transactions.



## Steps involved in Online Transactions

\*Q.3.

**Explain in brief the steps involved in Online Transactions.**

**[10]**

**Ans:**

Online transactions occur when a process of buying and selling takes place through the internet. Transactions between the buyer and seller that are carried out and completed with the help of internet are called online business transactions.

### Stages of Online Transaction:

There are three stages involved to ensure successful completion of online transaction. The task of an online transaction starts from the initial contact phase and often ends after the goods/services are delivered.

#### - Pre purchase/Sale:

This is a stage of product demonstration where the products/services are displayed over the internet and information about the same is given for the perusal of the potential customers. Products are advertised on the internet in this stage.

#### - Purchase/Sale:

At this stage, the buyer selects the products/services, finalizes with the seller the price of the product and makes the payment.

#### - Delivery Stage:

This is the final stage where the goods bought are delivered to the consumer.

### Steps involved in Online Transaction:

The steps involved in online transaction are as follows:

#### i. Registration:

- Registration is required for making online transactions.
- A buyer who is trying to make an online purchase has to first register himself with the website or the online vendor by filling up a registration form.
- The registration form has basic details like name, e-mail ID, password, etc.
- For security reasons, the buyer's 'Account' and his 'Shopping Cart' are password protected.

#### ii. Placing an Order:

- The online buyer browses through the online store and selects the goods displayed in the website.
- The buyer then puts the selected goods in his 'shopping cart'.
- The shopping cart gives a record of all the items selected by the buyer to be purchased, the number of units or quantity desired to be bought per item selected and the price for each item.
- The buyer then proceeds to the payment option after selecting all the products.

#### iii. Payment:

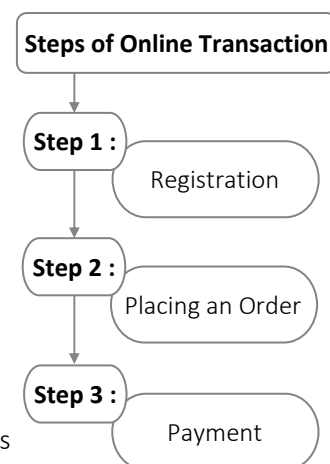
- The buyer is then required to make the payment to authenticate the purchase.
- He can do so with the help of various payment mechanisms viz. Cash on Delivery, Cheque, Net Banking Transfer, Credit or Debit cards, Digital Cash.

#### Cash on Delivery:

In this mode of payment, the buyer makes cash payment when the goods are physically delivered to him.

#### Cheque:

In this mode of payment, the buyer sends the cheque to the seller and after the realization of the cheque, the goods are delivered to the buyer.



**Net Banking Transfer:**

Here, the payment is transferred from the buyer's account to the seller's account electronically i.e. through the internet.

After the payment is received by the seller, the seller dispatches the goods to the buyer.

**Credit or Debit Cards:**

Here the payment is made through the buyer's credit/debit card.

The buyer has to share the details of his credit / debit card on the payment gateway to make the payment.

After the payment is received by the seller, the seller dispatches the goods to the buyer.

Credit / Debit cards are also known as 'plastic money'.

**Digital Cash:**

Digital Cash is a form of electronic currency that exists only in cyberspace and has no real physical properties.

Here the money in buyer's bank account is converted into a code that is saved on a microchip, a smart card or on the hard drive of his computer.

When he makes a purchase, he needs to mention that particular code to the website and thereafter the transaction is duly processed.

It is accepted by all leading e-commerce websites.

The digital cash numbers are unique and it is highly secure and anonymous.

**For e.g.:** The railway smart card is used to buy tickets. It provides a faster way of buying railway tickets without standing in long queues.

**Conclusion:**

- Online transactions are easier, quicker and result oriented than traditional business.
- In traditional businesses, buyers and sellers need to travel, negotiate, convince each other etc.
- However, in online transactions, information is provided with the terms and conditions and the buyer reads these terms and conditions and then makes the payment.
- Online transactions save time for both, buyer and seller and therefore, they are easier, quicker and result oriented as compared to traditional businesses.

**\*Q.4.****Ans:****What is Net Banking Transfer?****[5]**

- Net Banking is derived from the term 'Internet banking'.
- It is also known as e-banking or online banking.
- It is an electronic facility of transferring funds through the internet.
- It allows customers to conduct financial transactions on a secure website. With bank-to-bank transfers, a customer can easily transfer money between his accounts and other financial institutions.
- Funds are transferred through an exchange of electronic signals between financial institutions, rather than an exchange of cash, cheque or other instruments.
- When a customer wants to make a purchase online, he is required to transfer the agreed amount to the online vendor's account.
- After the payment is received by the seller, the seller dispatches the goods to the buyer.

**Uses of Net Banking Transfer:**

Net banking transfer can be used for the following purposes:

- To make online payments for purchases made on a website; where the money is transferred from buyer's account to seller's account electronically.
- Instruct the bank to automatically pay certain monthly bills from the account, such as auto loan, electricity bills, telephone bills, etc.
- Conduct the transfer of funds each month from current account to the mutual fund account.
- Nowadays, in India, the tax refund is deposited directly into the customer's account through net banking.



### **Payment Mechanism**

Q.5.

**Explain the concept of payment mechanism and the working of a Payment Gateway.**

**OR**

**\*Write a short note on: Payment Mechanism.**

**OR**

**\*What is a Payment Gateway?**

**OR**

**State the working of a Payment Gateway.**

**[Mar 15] [5]**

Ans:

**Payment Mechanism:**

- Generally, in e-business transactions, payments are made online.
- There is no physical exchange of cash across a counter, as possible in retail outlets or stores.
- The procedures and steps involved while making an online payment is known as 'Payment Mechanism'.
- Payments are made with the help of an e-commerce application service provider called 'Payment Gateway'.
- Payments can be made through debit cards, credit cards or by direct transfers from bank accounts through the net banking facility.
- These options for payment are offered by most payment gateways.
- A payment gateway authorizes payments made online by the buyer.
- A payment gateway is the virtual equivalent of a physical point of sale terminal located in outlets.

**Working of a Payment Gateway:**

Any buyer who uses the payment gateway goes through the following steps:

**i. Place an Order:**

- After selecting the desired goods, the customer confirms the order by clicking on the 'Submit' button on the merchant's website.

**ii. Mode of Payment:**

- The customer is then asked to select the mode of payment i.e. either debit/credit card or Net Banking.
- The customer is then required to enter his credit/debit or Net Banking details, as he proceeds for payment.
- Once the details are entered, the customer's web browser encrypts the information.

**iii. Information sent to the Payment Gateway:**

- The merchant, or the e-business website, then forwards the transaction details to their payment gateway.
- At this point, again information is coded.

**iv. Information sent to the Payment Processor:**

- The payment gateway forwards the transaction information to the payment processor used by the credit card issuing bank.
- On the payment processor, the customer is required to enter a PIN or password.

**v. Information sent to the Card Association:**

- The payment processor forwards the transaction information to the card association. (e.g.: Visa/MasterCard/American Express).

**vi. Information sent to the Card Issuing Bank:**

- The card association forwards the information to the card issuing bank.

**vii. Authorization of the Payment:**

- The card issuing bank authorizes the payment and sends the authorization back to the merchant's website (via the same process).
- Once the authorization is received, the sale is approved.



**viii. Duration:**  
- The entire process does not take more than 2-3 minutes, depending upon the speed of the internet connection.

**ix. Internet Connectivity Issues:**  
- If the internet connection fails at any step of the process, then the appropriate procedure is adopted.  
- In other words, if the connection fails after payment but before the order is finalized, then the payment is credited back to the card account within a stipulated time.

**Q.6.  
Ans:**

**Write a short note on: Payment Processor. [5]**  
- Payment Processors are the link between payment gateway and the Card Associations such as Visa / Mastercard / Amex.  
- They provide e-payment processing services for merchants who accept online payments.  
- Payment Processors provide the merchants with a simple, secure and cost effective mechanism for online payments.  
- They provide multi method services with the help of different connectivity mechanisms.  
- The task of the payment processor is to collect the card information from the payment gateway and forward it to the card association.  
- Once the payment is authorized, they again collect the information from the card association and give it back to the payment gateway.  
- 'Paynet' and 'Paypal' are the well known payment processors.

### **Security and Safety of Business Transactions**

**\*Q.7.  
Ans:**

**Why should business transactions be secured? [10]**  
- When a customer makes an online payment, he is required to provide his personal details like his name, phone number, debit/credit card number, password, etc.  
- This information is confidential and is likely to be misused if leaked / hacked.  
- Many criminal organizations and hackers exploit the vulnerabilities of the internet for financial gain.  
- Hackers thrive on outsmarting computer security systems and steal data for illegal purposes.  
- Most hackers target corporate and government computer systems.  
- Due to all such reasons, it is obligatory for websites to have secured payment methods.  
- One such secure e-commerce application is a payment gateway.  
- A payment gateway ensures that a person's information is secure.  
- This is done by a process called encryption.  
- Encryption ensures complete security as it converts the readable information into coded text that can only be read by the merchant company.  
- One of the most well-known methods of encryption is the "Secure Sockets Layers" (SSL).  
- The introduction of Secure Sockets Layers (SSL) and secure HyperText Transfer Protocol (secure-HTTP / s-HTTP) have made the online transactions relatively safe and consumers can disclose information on the websites without being worried about the security of the information.  
- Both the above protocols have been certified by the Internet Engineering Task Force (IETF) as standards.

**\*Q.8.  
Ans:**

**Write a short note on: Secure Socket Layer (SSL). [5]**  
- Secure Socket Layers (SSL) was developed by the company 'Netscape' in the nineties for transmitting private documents over the Internet.  
- SSL is a standard security technology for establishing an encrypted link, or a secure connection, between a server and a client.  
- SSL allows sensitive information such as credit card numbers, social security numbers and login credentials to be transmitted securely.



- The encryption is done using mathematical programmes or protocols which use logical reasoning.

SSL is the most widely deployed security protocol used today. SSL is used in today's modern e-commerce enabled / online workflow and service society in the following ways:

- To secure online credit card transactions.
- To secure system logins and any sensitive information exchanged online.
- To secure webmail and applications like Outlook Web Access, Exchange and Office Communications Server.
- To secure the connection between an email client such as Microsoft Outlook and an email server such as Microsoft Exchange.
- To secure the transfer of files over https and FTP(s) services such as website owners updating new pages to their websites or transferring large files.
- To secure internet based traffic file sharing, extranets.
- To secure network logins.

Any website which uses SSL security has URL as <https://www.xyz.com> rather than <http://www.xyz.com>. Further as a proof that the website is secured by SSL, the SSL logo is placed at the bottom left of the website.

#### Good to Know:

- In addition to SSL, there is another protocol known as Secure HTTP, which is an extension of the Hyper Transfer Text Protocol (HTTP).
- This provides security in transmitting individual messages. Each s-HTTP file is either encrypted or has a digital certificate or both.
- A major difference between both systems is that s-HTTP allows the client to send a certificate to authenticate the user whereas in case of using SSL, only the server can be authenticated.
- s-HTTP is more likely to be used when the server represents a bank and requires authentication from the user that is more secure than a user ID or password.
- Both SSL and s-HTTP have been approved by the Internet Engineering Task Force (IETF) as standards.



### Outsourcing: Concept, Need and Scope

\*Q.9.

**What is Outsourcing? Illustrate with one example.**

OR

**Write a short note on: Outsourcing.**

[5]

Ans:

- Outsourcing is the process of contracting a business function or any specific business activity to specialized agencies.
- Outsourcing benefits the company in two ways:
  - It reduces the cost of the company; and*
  - It uses the expertise of the firm which is specialized in providing that particular kind of services.*
- Most companies outsource their non-core areas.
- **For e.g.** many corporate organizations, hospitals etc, outsource their housekeeping, security and catering services.
- The company enters into a formal agreement with the agency.
- The manpower required to perform the activity are the employees of the agency.
- The agency charges the company for their services and in turn pays wages to their employees.
- The need for outsourcing has arisen due to the increasing global competition.
- Moreover, the competition in the market compels the companies to focus on their main product; thereby improving the quality of their goods.

- Due to this, the companies are outsourcing their non-core areas to those firms who are specialized / have expertise in those non-core areas.
- **For e.g.:** Many corporate organizations provide transport facilities (home pickup and home drop) to their employees. These services are not provided by the company directly. The company enters into a contract with a transport agency which provides vehicles and drivers to the company for providing the pickup and drop facilities to their employees. The company makes payment to the transport agency and the transport agency is then responsible for making the payment to the drivers and for the maintenance of the vehicles. In this case, neither the drivers are employed with the company, nor the vehicles are owned by the company.

\*Q.10.

**What are the advantages and disadvantages of Outsourcing?**

[10]

Ans:

Outsourcing is the process of contracting a business function or any specific business activity to specialized agencies. Most companies outsource their non-core areas.

**Advantages of Outsourcing:**

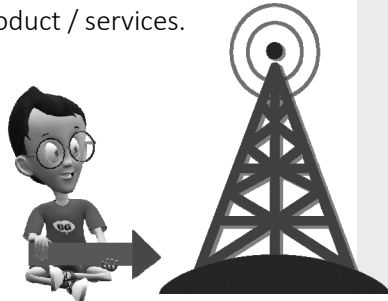
The advantages of outsourcing are as follows: [Mnemonic: COME RISE]

i. **Overall Cost Advantage:**

- Outsourcing eludes the need to hire individuals in-house; hence recruitment and operational costs can be minimized to a great extent.
- Outsourcing helps an organization save on time, effort and training costs.

ii. **Emphasis on Core Process Rather than the Supporting Ones:**

- Outsourcing the supporting processes gives the organization more time to strengthen its core business process and focus on improving the quality of its product / services.



**Good to Know:**

- An MNC called American Tower Corporation Pvt. Ltd. deals in the construction of mobile towers and leases out these towers to cellular operators like Vodafone, Idea, etc. Every year American Tower Corporation Pvt. Ltd. has to furnish details about its expenses and income claims. It does this by outsourcing the work to another company known as Ernst and Young. American Tower Corporation Pvt. Ltd. save on its time and use this time to concentrate on acquisitions and construction, which is its core business.

iii. **Low Manpower Cost:**

- Manpower through outsourcing is usually available at a lower cost.

iv. **Access to Professional, Expert and High-quality Services:**

- Most of the times, tasks are outsourced to vendors who specialize in their field.
- They have specific equipment and technical expertise to perform the task effectively, faster and with better quality output.

v. **Investment Requirements are Reduced:**

- The organization can save on investing in the latest technology, software and infrastructure and let the outsourcing partner handle the entire infrastructure.

vi. **Increased Efficiency and Productivity:**

- The organization experiences increased efficiency and productivity in non-core business processes.

vii. **Knowledge Sharing:**

- Outsourcing enables the organizations to share knowledge and best practices with each other.

**viii. Stimulates Entrepreneurship, Employment and Exports:**

- Outsourcing stimulates Entrepreneurship, Employment and Exports in the country from where outsourcing is done.

**Disadvantages of Outsourcing:**

The disadvantages of outsourcing are as follows: **[Mnemonic: LCD - ID]**

**i. Lack of Customer Focus:**

- An outsourced vendor may be catering to the needs of multiple organizations at a time. In such situations, vendors may lack complete focus on an individual organization's tasks.

**ii. Threat to Security and Confidentiality:**

- When an organization outsources, it involves a risk of exposing confidential company information to a third-party.
- There is always a threat of the misuse of the company's information by the contractor.

**iii. Dissatisfactory Services:**

- Some of the common problem areas with outsourcing include stretched delivery time and sub-standard quality.
- Many organizations may find it difficult to manage the contractor as compared to managing processes within the organization.

**iv. Ethical Issues:**

- Some organizations ignore ethical issues related to outsourcing.

**v. Other Disadvantages:**

- Include misunderstanding of the contract, lack of communication, poor quality and delayed services amongst others.

### **Multiple Choice Questions**

**I. Select the proper option from the options given below and rewrite the completed sentence: [1 mark each]**

- \*1. In e-business, payments have to be made \_\_\_\_\_.  
(A) in cash (B) on credit (C) **online**
- \*2. The term e-business is derived from the terms \_\_\_\_\_ and e-commerce.  
(A) **e-mail** (B) e-pay (C) cash
3. e-commerce is the \_\_\_\_\_ aspect of e-business.  
(A) manufacturing (B) **trading** (C) marketing
- \*4. The transactions under \_\_\_\_\_ are between business firms and consumers.  
(A) C to C (B) **B to C** (C) B to B
5. \_\_\_\_\_ process allows buyers and sellers to display information about their goods on the web.  
(A) **C to C** (B) B to C (C) B to B
6. www.flipkart.com is involved in \_\_\_\_\_ e-business transactions.  
(A) C to C (B) **B to C** (C) B to B
- \*7. For online transaction, \_\_\_\_\_ is required. **[Oct 14, 15]**  
(A) trading (B) **registration** (C) business
- \*8. The online shopper can pick and drop the things in the \_\_\_\_\_.  
(A) shopping mall (B) **shopping cart** (C) shopping bag
- \*9. An electronic facility of transferring funds through the internet is \_\_\_\_\_ transfer. **[Mar 14]**  
(A) cash (B) **net banking** (C) credit



- \*10. Credit or Debit cards are popularly known as '\_\_\_\_\_ Money.' [Oct 15]  
(A) paper (B) **plastic** (C) polymer
11. \_\_\_\_\_ is a form of electronic currency that exists only in cyberspace.  
(A) **Digital cash** (B) Credit cards (C) Net banking
- \*12. In bigger shops situated in shopping malls or branded stores, there is a \_\_\_\_\_ terminal.  
(A) SSL (B) **POS** (C) HTTP
- Good to Know:**
- Point of Sale (POS) terminal is an electronic device used to process card payments at the wholesale/retail locations.
13. Visa / Mastercard / Amex are examples of \_\_\_\_\_.  
(A) Card Issuing Bank (B) Payment Processor (C) **Card Association**
14. The e-business website / merchant website forwards the information to the \_\_\_\_\_.  
(A) Payment Processor (B) **Payment Gateway**  
(C) Card Association
15. \_\_\_\_\_ is the virtual equivalent of physical point of sale.  
(A) **Payment Gateway** (B) Payment Processor (C) Card Issuing Bank
16. Between a Website and Payment Processor there is a \_\_\_\_\_.  
(A) **Payment Gateway** (B) Credit Card Association  
(C) Credit Card Issuing Bank
17. Coding of information in an online transaction begins at \_\_\_\_\_.  
(A) Payment Processor (B) Payment Gateway (C) **e-business website**
18. The encryption of data is done using \_\_\_\_\_ programmes / protocols which use logical reasoning.  
(A) scientific (B) **mathematical** (C) statistical
19. URL of a secured website begins with \_\_\_\_\_.  
(A) http:// (B) shttp:// (C) **https://**
- \*20. The process of contracting a business function to someone else is called as \_\_\_\_\_.  
(A) e-business (B) **outsourcing** (C) trading
- \*21. Wedding Planner is an example of \_\_\_\_\_.  
(A) corporate organization (B) **outsourcing**  
(C) buying and selling of goods
22. Generally companies outsource their \_\_\_\_\_ areas.  
(A) core (B) **non-core** (C) semi-core



**Match the Pairs****\*II.****Match the correct pairs:****[1 mark each pair]**

	Group "A"		Group "B"
i.	e-business	a.	Consumer to Consumer
ii.	B to C <b>[Oct 14]</b>	b.	HyperText Transfer Protocol
iii.	ATM	c.	Encryption
iv.	Payment Gateway	d.	Electronic Business
v.	HTTP	e.	Hyper Transfer Protocol
		f.	Business to Consumer
		g.	Business to Business
		h.	Authorizes payments made online
		i.	Outsourcing
		j.	Automated Teller Machine

**Ans:** (i – d), (ii – f), (iii – j), (iv – h), (v – b).**One Word****III.****Write the word or phrase or term which can substitute each one of the following:****[1 mark each]**

- \*1. The term derived from the terms email and e-commerce. **[Mar 15]**
- \*2. Name the term which is used by even common man effectively while collecting the needed information quickly.
3. The sub-branch of e-business.
- \*4. Name the electronic facility of transferring funds through the internet.
- \*5. Name the form of electronic currency that exists only in cyberspace. **[Mar 15]**
- \*6. Name the service provider which is used for payments through web.
7. A well-known Payment Processor.
8. SSL stands for.
9. s-HTTP stands for.
- \*10. Name the modern process of contracting a business function to someone else.
11. This process helps in knowledge sharing between organizations.

- Ans:**
- |                                       |                          |
|---------------------------------------|--------------------------|
| 1. e-business                         | 2. Internet              |
| 3. e-commerce                         | 4. Net Banking           |
| 5. Digital Cash                       | 6. Payment Gateway       |
| 7. Paynet                             | 8. Secure Sockets Layers |
| 9. Secure HyperText Transfer Protocol | 10. Outsourcing          |
| 11. Outsourcing                       |                          |

**Distinguish Between**

IV.

**\*Distinguish between: Traditional Business and e-business.****OR****Explain the difference between the traditional and online buying and selling process.**

Ans:

Sr. No.	Traditional Business	e-business
<b>Concept</b>		
1.	In traditional business, an organizational entity (mostly thought of as a store, restaurant or agency) is designed to offer consumer goods or services.	Any business conducted using electronic media is called e-business.
<b>Access to Goods/Services</b>		
2.	Consumers can visit only a few traditional outlets per day.	Consumers have access to countless Web retailers at the same time.
<b>Access to Information</b>		
3.	In this form of business, consumers can get limited product information.	Consumers have access to an unprecedented amount of product information, not just from manufacturers' websites but also from online reviews written by previous consumers, employees, and organizations.
<b>Price Comparison</b>		
4.	Price comparison can be done for limited products in the traditional form of business.	It is possible to check the price offered by hundreds of online merchants.
<b>Skills required</b>		
5.	In traditional form of retailing, salesmanship and negotiation skills are of utmost importance.	Online retailers rely on different skill sets to effectively market their products such as Internet pop-ups, email blast (e-mail to large groups of people), google adwords, etc..
<b>Face-to-Face Interaction</b>		
6.	It is possible to have face-to-face interaction in this form of business.	There is a very low possibility of face-to-face interaction in this form of business.
<b>Area Covered</b>		
7.	Role of middlemen is indispensable in traditional business.	There is direct communication between the buyer and the seller on the internet which eliminates the role of the middlemen in e-business.
<b>Space</b>		
8.	Physical space required in traditional business is more as compared to online business.	Online Business does not require too much physical space.

V.

**State with reasons, whether the following statements are True or False: [5 marks each]****\*1. The term e-business is derived from the terms e-mail and e-commerce.**Ans: This statement is **TRUE**.**Reasons:**

- e-mail is the system through which messages, images, videos, etc. can be exchanged through the medium of internet. It is a means of communication between individuals or firms.



- e-commerce refers to the ordering, buying and selling of goods and/or services online. e-commerce is the trading part of e-business.
  - The concept of e-business mainly emerged in order to provide the buyers a platform on the internet to buy and sell their goods.
  - e-business refers to the “web-enabling” of the existing business processes to conduct transactions via internet.
  - It is to be noted that, a business can be termed as an e-business even if it doesn’t perform trading activities over the internet.
  - The business can be termed as e-business even if it uses the internet for communicating via e-mails within the staff or with the suppliers or the creditors/debtors.
- Thus, the term ‘e-business’ is derived from the terms ‘e-mails’ and e-commerce’.

**\*2. e-business allows you to work across the globe in any field.**

**[Oct 15]**

**Ans:** This statement is **TRUE**.

**Reasons:**

- e-business means using the internet to connect people and processes.
- It involves web-enabling in the existing business so that the transactions can be conducted over the internet.
- Since e-business uses internet, it is not restricted to any physical space and thus the entire world becomes the market and the goods can be sold to any person in any corner of the world.
- e-business helps in developing closer and more responsive relationships with partners, employees and suppliers.
- Example of e-business is Online Ticketing (*like booking of air tickets, movie tickets, train tickets, play tickets, tickets to sporting events, etc. online*).
- Online ticketing eliminates the need to queue up at ticket counters by connecting the buyers and sellers globally for many fields.

Thus, e-business allows you to work across the globe in any field.

**\*3. It is easy to set up e-business as compared to traditional business.**

**[Mar 14]**

**Ans:** This statement is **TRUE**.

**Reasons:**

- Unlike a host of procedural requirements for setting up an industry, e-business is relatively easy to start.
- The initial investment for starting up an e-business is generally lower than the costs associated with starting an equivalent business using a traditional model.
- Online sellers are able to reduce their overheads as they don’t need expensive shop fronts, too many employees or large inventory on hand.
- e-business does not require physical space. It requires qualified technical professionals.

Thus, it is easy to set up e-business as compared to traditional business.

**\*4. Credit cards are used for cash payments.**

**Ans:** This statement is **FALSE**. (*Credit cards are used for making credit payments.*)

**Reasons:**

- Credit cards are also known as Plastic money. These are generally issued by banks to their customers.
- Credit cards can be used for making online payments as there is no physical exchange of cash over the internet. Credit cards are also used at restaurants, retail outlets or stores.
- The payment made through credit card is usually authorized by the card issuing bank by way of a fully secured payment mechanism.
- Unlike when using debit cards, where the amount gets debited from the account; here the payment is made by the card issuing bank on the customer’s behalf. The bank generally gives a month’s credit period to the cardholder to pay the credit amount.



- The card holder can later make the payment to the bank either in full or in installments.
  - The advantage of credit card is the person can use his card even if he does not have money in his pocket or in his bank account. They are the replacement for currency notes.
- Therefore, credit cards are used for making credit payments and not cash payments.

**\*5. In online transactions, 'Account' and 'Shopping cart' are password protected.**

**Ans:** This statement is **TRUE**.

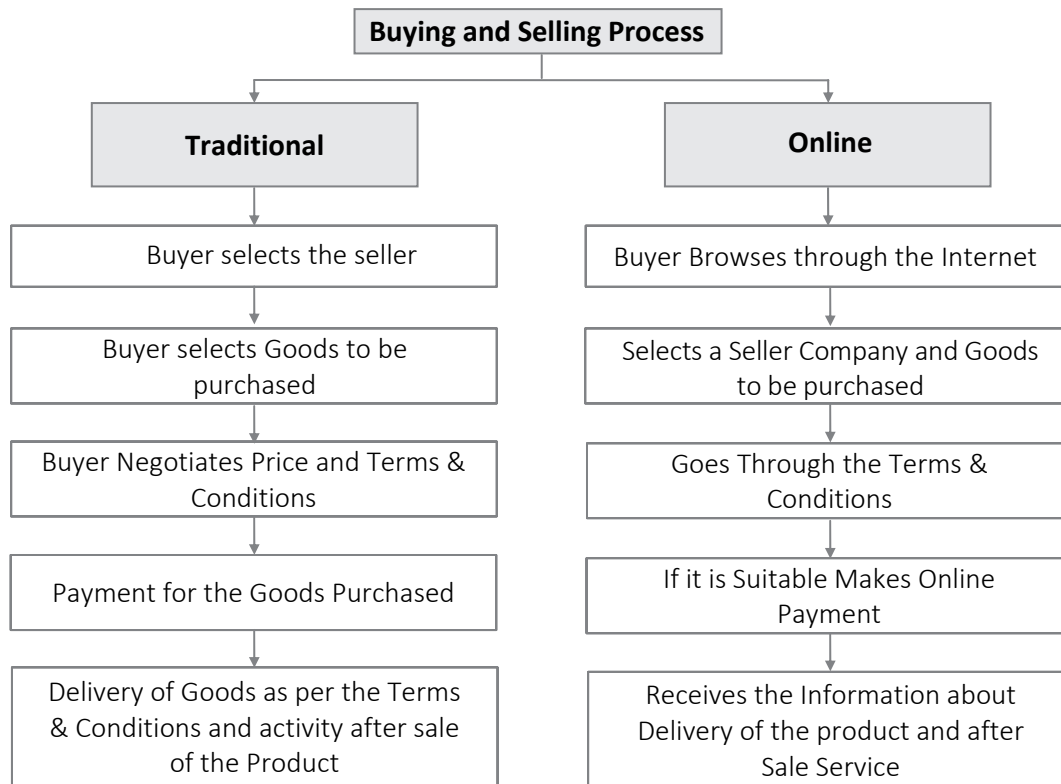
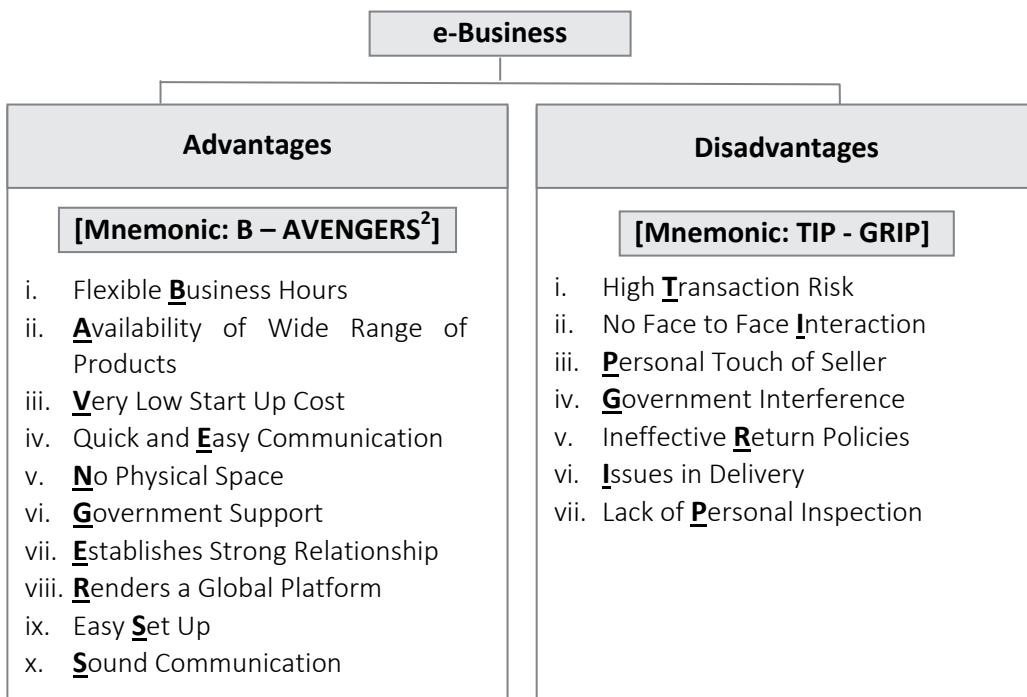
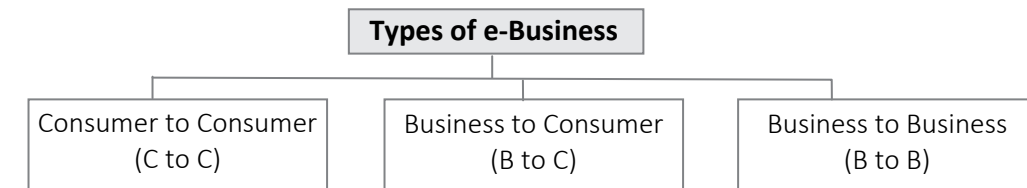
**Reasons:**

- A buyer who wants to make an online purchase will be first required to register himself with the website or the online vendor by filling up a registration form.
- The registration form includes filling of basic information like name and e-mail ID of the user, etc. Thereafter, the website automatically creates a user ID and password for the buyer.
- As the buyer proceeds, he is required to fill in more information viz. account details, address, debit/credit card number, etc.
- Therefore, the 'account' and 'shopping cart' is required to be password protected to ensure that the personal information is not misused by the hackers.
- When the account is protected by a password, only the buyer can login using his user ID and password i.e. all his personal information remains safe and secured.

Thus, in online transactions, 'account' and 'shopping cart' are password protected.

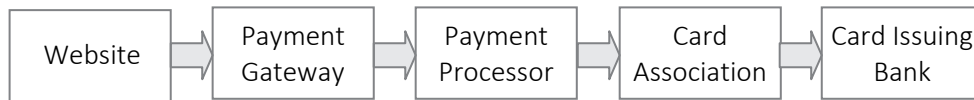
**Additional Questions for Revision**

- Q.1. Write short notes on: [5 marks each]**
- \*i. Business to Consumer (B to C)**  
**Ans:** Refer Q.1., Point (ii).
- ii. Consumer to Consumer (C to C)**  
**Ans:** Refer Q.1., Point (i).
- iii. Business to Business (B to B)**  
**Ans:** Refer Q.1., Point (iii).
- iv. Disadvantages of e-business. [Oct 14]**  
**Ans:** Refer Q.2. "Disadvantages of e-business".
- \*v. Online transactions.**  
**Ans:** Refer Q.3.
- vi. Advantages of Outsourcing. [Mar 14]**  
**Ans:** Refer Q.10. "Advantages of Outsourcing".
- \*Q.2. What is e-business? How did the concept originate? [10]**  
**Ans:** Refer Pg. No. 110. "e-business".
- \*Q.3. What is e-business? OR [5]**  
**Write a short note on: e-business.**  
**Ans:** Refer Pg. No. 110. "e-business".
- \*Q.4. What are the resources required for successful e-business implementation? [10]**  
**Ans:** Refer Q.1.
- \*Q.5. What are the advantages of e-business? [Mar 15]**  
**OR**  
**Write a short note on: Advantages of e-business. [Oct 15] [5]**  
**Ans:** Refer Q.2. "Advantages of e-Business".
- Q.6. State the steps involved in Online Transactions. [Oct 14] [5]**  
**Ans:** Refer Q.3. "Steps involved in Online Transaction".

**QUICK RECAP**



The below flow chart indicates the steps in the process of a secure transaction.



### Outsourcing

#### Advantages

##### [Mnemonic: COME RISE]

- i. Overall **C**ost Advantage
- ii. Emphasis on Core Process Rather than the Supporting **O**nes
- iii. Low **M**anpower Cost
- iv. Access to Professional, **E**xpert and High-quality Services
- v. Investment Requirements are **R**educed
- vi. **I**ncreased Efficiency and Productivity
- vii. Knowledge **S**haring
- viii. Stimulates **E**ntrepreneurship, Employment and Exports

#### Disadvantages

##### [Mnemonic: LCD - ID]

- i. **L**ack of Customer Focus
- ii. Threat to Security and **C**onfidentiality
- iii. **D**issatisfactory Services
- iv. Ethical **I**ssues
- v. Other **D**isadvantages