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FAIRFIELD

Institute of Management & Technology

'A' Grade Institute by DHE, Govt. of NCT Delhi and Approved by the Bar Council of India and NCTE

Reference Material for Three Years

Bachelor of Commerce (Hons.)

Code : 888

Semester – VI

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SEMESTER – VI

BCOM 302: Project Management

Question1. Explain the meaning of Project, its feature and objective of Project Management?

Answer1. The "Project" has a wider meaning. A project is accomplished by performing a set of activities. For example , construction of a house is a project, the construction of a house consist of many activities like digging of foundation pits , construction of foundation , construction of walls , etc. Another aspect of project is the non routine nature of activities. Each project is unique in the sense that the activities of a project are unique and non routine. A project consumes resources, it means resources required for completing a project are men , material , money and time. For example if a men wants to construct a house they need to know first the budget (like Rs 10 lacs) and ascertain the required time to complete it (6months). Project as an organized program of pre determined group of activities that are non routine in nature and that must be completed within the given then time limit.

Project characteristics:

1. Objective- a project is a set of objectives. Once the objectives are achieved, the project is treated as completed. For example, the objective of a project may be construction of a highway connecting two cities of a distance of 20km. once the work completed it comes to an end.

2. Lifecycle - this consist of the following stages:

The initiation phase – starting of a project

The planning phase – organizing and preparing

The execution phase- organizing and preparing

The termination phase- carrying out the project

The termination phase - closing the project

3. Definite Time Limit

A project has a definite time limit, for example a construction of a house requires to be complete in next 6 months.

4. Uniqueness

Every project is unique and no two projects are similar, for example setting up a cement plant and construction of a highway are no doubt two different projects having unique in themselves, in view of the differences existing in the organization , infrastructure , location technical specification and the people behind the project.

5. Team work

A project needs manpower and plan to completed it , so consist of diversified areas like digging of foundation pits, construction of building , etc. Hence a project can be implemented only with team work.

6. Complexity

A project is a complex set of activities relating to diversified areas. Technology survey , choosing the appropriate technology , procuring the appropriate the machinery and equipment , hiring right kind of people, arranging for financial resources , etc makes the project work complex .

7. Risk and uncertainty

Risk and uncertainty go hand in hand with project. Some of the risk is predictable so we can overcome on it at the time of processing of the project but some of the risk is unpredictable , we can only trying to reduce the effect. For example : working on a construction of a house takes 6 months to complete , in that period we need to think about labour turn over rate and overcome on it. But sudden change in Government policy , which is not anticipated may turn he calculations wrong and make the calculations meaningless.

8. Response to environment

Projects take shape in response to environments. Indian government soon after Independence set up major projects in the public sector , in the sectors of iron , coal , power generation , heavy equipment manufacture , etc. this was in tune with the need for the development of infrastructure and heavy industries.

Following are the Objectives of Project Management. – project management refers to management of project by achieving following:

- Smooth functioning - The successful development and implementation of all project's procedures. A project, regardless of its size, generally involves five distinctive phases of equal importance: Initiation, Planning and Design, Construction and Execution, Monitoring and Control, Completion. The smooth and uninterrupted development and execution of all the above phases ensures the success of a project.
- Productive guidance, efficient communication and apt supervision of the project's team- Always keep in mind that the success or failure of a project is highly dependent on teamwork, thus, the key to success is always in collaboration. To this end, the establishment of good communication is of major importance. On one hand, information needs to be articulated in a clear, unambiguous and complete way, so

everything is comprehended fully by everyone and on the other hand, is the ability to be able listen and receive constructive feedback.

- The achievement of the project's main goal within the given constraints – The most important constraints are, Scope in that the main goal of the project is completed within the estimated Time, while being of the expected Quality and within the estimated Budget. Staying within the agreed limitations always feeds back into the measurement of a project's performance and success.
- Optimization of the allocated necessary inputs - and their application to meeting the project's pre-defined objectives, is a matter where is always space for improvement. All processes and procedures can be reformed and upgraded to enhance the sustainability of a project and to lead the team through the strategic change process.

Production of a complete project , which follows the client's exclusive needs and objectives. This might mean that you need to shape and reform the client's vision or to negotiate with them as regards the project's objectives, to modify them into feasible goals. Once the client's aims are clearly defined they usually impact on all decisions made by the project's stakeholders. Meeting the client's expectations and keeping them happy not only leads to a successful collaboration which might help to -eliminate surprises during project execution, but also ensures the sustainability of your professional status in the future.

Question2. Explain the concept Tools and Techniques for project management by using suitable example of it?

Answer2. Project management methods range from traditional to innovative. Which one to choose for running a project, depends on project specifics, its complexity, teams involved, and other factors. Most of them can be used in various fields, however, there are techniques that are traditionally used in certain areas of activity, or are developed specifically for certain fields. Below, we've listed the most popular techniques that are used in project management.

Classic technique **-** The simplest, traditional technique is sometimes the most appropriate for running projects. It includes preparing a plan of upcoming work, estimating tasks to perform, allocating resources, providing and getting feedback from the team, and monitoring quality and deadlines.Where to use: this technique is ideal for running projects performed by small teams, when it's not really necessary to implement a complex process.

Waterfall technique **-** This technique is also considered traditional, but it takes the simple classic approach to the new level. As its name suggests, the technique is based on the sequential performance of tasks. The next step starts when the previous one is accomplished. To monitor progress and performed steps, Gantt charts are often used, as they provide a clear visual representation of phases and dependencies.

Where to use: this technique is traditionally used for complex projects where detailed phasing is required and successful delivery depends on rigid work structuring.

Agile Project Management - Agile project management method is a set of principles based on the value-centered approach. It prescribes dividing project work into short sprints, using adaptive planning and continual improvement, and fostering teams' self-organization and collaboration targeted to producing maximum value. Agile frameworks include such techniques as Scrum, Kanban, DSDM, FDD, etc. Where to use: Agile is used in software development projects that involve frequent iterations and are performed by small and highly collaborative teams.

Rational Unified Process - Rational Unified Process (RUP) is a framework designed for software development teams and projects. It prescribes implementing an iterative development process, where feedback from product users is taken into account for planning future development phases.

Where to use: RUP technique is applied in software development projects, where end user satisfaction is the key requirement.

Program Evaluation and Review Technique - Program Evaluation and Review Technique (PERT) is one of widely used approaches in various areas. It involves complex and detailed planning, and visual tracking of work results on PERT charts. Its core part is the analysis of tasks performed within the project. Originally, this technique was developed by the US Navy during the Cold War to increase efficiency of work on new technologies.

Where to use: this technique suits best for large and long-term projects with non-routine tasks and challenging requirements

Choosing the right approach to managing a project is crucial for successful project delivery. The way you manage work is defined by techniques that you use, and tools that you adopt. In this article, we've collected project management tools and techniques that are used in different fields and help create an efficient process

Project Management Methods - Project management methods range from traditional to innovative. Which one to choose for running a project, depends on project specifics, its complexity, teams involved, and other factors. Most of them can be used in various fields, however, there are techniques that are traditionally used in certain areas of activity, or are developed specifically for certain fields. Below, we've listed the most popular techniques that are used in project management.

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Today, many project & work management software tools like actiTIME offer convenient ways to introduce Scrum and Agile in work process. With them, you can configure multiple levels of your work structure, track long-term and short-term deadlines, use estimates in planning process, and create Kanban boards to monitor work progress. Basically, software tools allow to structure your work according to the Agile method, and visualize the structure.

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Critical Path Technique - Actually, this technique is an algorithm for scheduling and planning project works that is often used in conjunction with the PERT method discussed above. This technique involves detecting the longest path (sequence of tasks) from the beginning to the end of a project, and defining the critical tasks. Critical are tasks that influence the deadlines of the entire project, and require closer attention and thorough control.

Where to use: Critical Path technique is used for complex projects where delivery terms and deadlines are critical, in such areas as construction, defense, software development, and others.

Question3. What is project team and explain its roles and responsibilities of project manager with examples and how it can help in achieving project success?

Answer3. **Project Team -** Since a project requires knowledge an d expertise of persons belonging to different disciplines , the project team members will consist of people with different skills – there can be engineers , scientist , skilled workers and such other person in a project team . for better coordination and for the effective utilization of man power , every team member has to perform his role aptly. Defining the roles responsibilities of team members will help team members to correctly understand the contribution required of them for the project.

Sound Working Project Management Team Feature: Team Building – a team is a collection of individuals who work towards a common goal. A project team has a special nature that it consists of individuals from diverse functional areas and specialize experts .

Successful teams - Selecting people with the require talent an skills , offering them with right monetary benefits , designing a right organizational structure are necessary for building up a good team.The relationship among the project team members should be clear to the relationship among the others of the team (they should follow hierarchy of management).Synergy is possible in a team only when the team members have cordial interpersonal relationships.The team leader must be prepared to share power and responsibility.

Motivating project team members

Nature of the job – if the job is interesting and demanding thus driving a sense of satisfaction and sense of achievement , the job itself will act as a major motivator, example a teacher teaches a student because this job gives him/her satisfaction to made a student carrier brighter.

Synchronizing individuals goals with project goals – if the goals of the project team members can be identified with the goals of the project , successful project are ensured. Management should provide suitable environment for it.

Status advancement – the successful project team member should be offered facilities to learn more , to develop their skills further and should be offered higher status in the organization .

Features of good team

- The atmosphere will be pleasing , comfortable and informal.
- All the members of the team will be committed to the task
- The members of the team will be receptive to the ideas of others
- There will be freedom for the expression of views.
- Arising conflict should be solved

- Problem should be solved with an open mind and healthy discussion
- Difficult situation will be managed constructively , without passing the blame on others

Roles and responsibilities of project manager

The prime responsibility of making a project a successful one rests with the project manager. The following are roles and responsibilities of project manager:

- To plan for all project tasks
- To plan for the allocation of resources for all te project activities
- To ensure that the project activities ae realistically scheduled
- To ensure that the resources required for implementing the projects are made available in time
- To motivate and direct the project team, members towards fulfillment of project objectives
- To monitor the project continuously
- To identify deviations between the actual progress and the planned progress in terms of time ,cost an performance ; to arrive at and suggest remedies for correcting such deviations.
- To ensure that the corrective actions required to bring back the project to the status that was originally planned for taken
- To maintain an effective communication system
- To maintain good relation with members of functional departments , external project participants and consultants connected with the project
- To prepare progress report and send the same to the top management.

Project success- Having a talented project manager is the first step to actual project success, but there are other important factors that contribute largely to a project's outcome. It takes careful planning, attention to detail and effective communication to make a project succeed. Following are the features of project success;

Smart People

Without the right team in place, any strategy and plan has the potential of completely falling apart. Because of this, the core project staff, expert resources, suppliers and all stakeholders should be part of the team dynamic. All of those involved must have commitment to the group, share similar visions for the projects and strive for overall success.

It is important to assign the right people to each aspect of the project and make sure that they are working well together. Additionally, the entire team should be completely informed and involved in order to have the most successful outcome, which means that communication has to be on par.

Smart Planning

Comprehensive planning sets up a project for success from the start. All stakeholders should be on board during the planning process and always know in which direction the project is going to go. Planning can help the team to meet deadlines and stay organized. Good planning not only keeps the project team focused and on track, but also keeps stakeholders aware of project progress.

There are many benefits to smart planning. This first step in the project process allows for a reliable and realistic time-scale to be created. Assuring accurate time for cost estimates to be produced and for clear documentation of milestones and deliverables will make things much easier as the project progresses.

Open Communication

Looking closely at details and listening to outside sources of information is vital to the success of a project. Keeping open communication within the team is absolutely essential. When working under a specific timetable, it is important that the team remains well-informed. If a problem arises on one part of a project, it can negatively impact other parts as well. Communication is the best way to prevent problems from occurring.

Communication should also be focused internally within the organization. Keeping an organizational history of major projects will give convenient access to improved policies and business processes

Careful Risk Management

Project managers know that things rarely go off exactly as planned. During the planning process, it is vital to produce a risk log with an action plan for the risks that the project could face. Make sure all key stakeholders are aware of your risk log and know where they can find it. If something happens, then the team can quickly resolve the issue with the management plan that has already been set in place. This will give the team confidence when facing project risks and help the clients feel comfortable with the project's progression.

Strong Project Closure

If a project does not have strong closure, then it has the potential to continue to consume resources. The project team must be firm and agree with the customer that all critical success factors have been met. Confirmation of the project delivery, testing, and release must be agreed upon and signed off. Satisfaction surveys are good forms of documentation to log and file for future reference and valuable information for use in the future.

It is the project manager's job to ensure that everything runs smoothly on a project, but having a great project manager doesn't guarantee a successful project outcome. The entire team paying attention to key factors is what will help lead the project to true success. This success will then lead to proactive, organized project plans and an increase in quality of all future projects

Question4. Explain the concept of Project life cycle and its phases and how does it affects to the running process?

Answer4. The Project Life Cycle (Phases) - The project manager and project team have one shared goal: to carry out the work of the project for the purpose of meeting the project's objectives. Every project has a beginning, a middle period during which activities move the project toward completion, and an ending (either successful or unsuccessful). A standard project typically has the following four major phases (each with its own agenda of tasks and issues): initiation, planning, implementation, and closure. Taken together, these phases represent the path a project takes from the beginning to its end and are generally referred to as the project "life cycle."

Initiation Phase - During the first of these phases, the initiation phase, the project objective or need is identified; this can be a business problem or opportunity. An appropriate response to the need is documented in a business case with recommended solution options. A feasibility study is conducted to investigate whether each option addresses the project objective and a final recommended solution is determined. Issues of feasibility ("can we do the project?") and justification ("should we do the project?") are addressed.

Once the recommended solution is approved, a project is initiated to deliver the approved solution and a project manager is appointed. The major deliverables and the participating work groups are identified, and the project team begins to take shape. Approval is then sought by the project manager to move onto the detailed planning phase.

Planning Phase - The next phase, the planning phase, is where the project solution is further developed in as much detail as possible and the steps necessary to meet the project's objective are planned. In this step, the team identifies all of the work to be done. The project's tasks and resource requirements are identified, along with the strategy for producing them. This is also referred to as "scope management." A project plan is created outlining the activities, tasks, dependencies, and timeframes. The project manager coordinates the preparation of a project budget by providing cost estimates for the labour, equipment, and materials costs. The budget is used to monitor and control cost expenditures during project implementation.

Once the project team has identified the work, prepared the schedule, and estimated the costs, the three fundamental components of the planning process are complete. This is an excellent time to identify and try to deal with anything that might pose a threat to the successful completion of the project. This is called risk management. In risk management, "high-threat" potential problems are identified along with the action that is to be taken on each high-threat potential problem, either to reduce the probability that the problem will occur or to reduce the impact on the project if it does occur. This is also a good time to identify all project stakeholders and establish a communication plan describing the information needed and the delivery method to be used to keep the stakeholders informed.

Finally, you will want to document a quality plan, providing quality targets, assurance, and control measures, along with an acceptance plan, listing the criteria to be met to gain customer acceptance. At this point, the project would have been planned in detail and is ready to be executed.

Implementation (Execution) Phase - During the third phase, the implementation phase, the project plan is put into motion and the work of the project is performed. It is important to maintain control and communicate as needed during implementation. Progress is continuously monitored and appropriate adjustments are made and recorded as variances from the original plan. In any project, a project manager spends most of the time in this step. During project implementation, people are carrying out the tasks, and progress information is being reported through regular team meetings. The project manager uses this information to maintain control over the direction of the project by comparing the progress reports with the project plan to measure the performance of the project activities and take corrective action as needed. The first course of action should always be to bring the project back on course (i.e., to return it to the original plan). If that cannot happen, the team should record variations from the original plan and record and publish modifications to the plan. Throughout this step, project sponsors and other key stakeholders should be kept informed of the project's status according to the agreed-on frequency and format of communication. The plan should be updated and published on a regular basis. Status reports should always emphasize the anticipated end point in terms of cost, schedule, and quality of deliverables. Each project deliverable produced should be reviewed for quality and measured against the acceptance criteria. Once all of the deliverables have been produced and the customer has accepted the final solution, the project is ready for closure.

Closing Phase - During the final closure, or completion phase, the emphasis is on releasing the final deliverables to the customer, handing over project documentation to the business, terminating supplier contracts, releasing project resources, and communicating the closure of the project to all stakeholders. The last remaining step is to conduct lessons-learned studies to examine what went well and what didn't. Through this type of analysis, the wisdom of experience is transferred back to the project organization, which will help future project teams.

Example: Project Phases on a Large Multinational Project A U.S. construction company won a contract to design and build the first copper mine in northern Argentina. There was no existing infrastructure for either the mining industry or large construction projects in this part of South America. During the initiation phase of the project, the project manager focused on defining and finding a project leadership team with the knowledge, skills, and experience to manage a large complex project in a remote area of the globe. The project team set up three offices. One was in Chile, where large mining construction project infrastructure existed. The other two were in Argentina. One was in Buenos Aries to establish relationships and Argentinian expertise, and the second was in Catamarca—the largest town close to the mine site. With offices in place, the project start-up team began developing procedures for getting work done, acquiring the appropriate permits, and developing relationships with Chilean and Argentine partners. During the planning phase, the project team developed an integrated project schedule that coordinated the activities of the design, procurement, and construction teams. The project controls team also developed a detailed budget that enabled the project team to track project expenditures against the expected expenses. The project design team built on the conceptual design.

Question5. How many Project Organizational Structure and explain the concept of it with examples?

Answer5. Forms of organizational structure - The current types of organizational structure of project management are: functional organizational structure, project-based organizational structure and matrix organizational structure.

1. Functional organizational structure

Functional organizational structure is to be managed in the current organization hierarchical structure, once the project begins operation, the various components of the project are taken by the functional units, each unit is responsible for its charged component. If --the the project established, a functional area play a dominant role, functional areas on completion of the project, senior managers will be responsible for project coordination.

2. Project-based organizational structure- Project organizational structure refers to the creation of anindependent project team, the team's management is separated fromthe parent organization's other units, have their own technical staffand management, enterprise assigns certain resources to projectteam, and grant project manager of the largest free implementation ofthe project.

3. Matrix organizational structure

- Matrix organizational structure is a hybrid form, it loads a level of project management structure on the functional hierarchical structure.
- According to the relative power of project managers and functional managers, in practice there are different types of matrix systems, respectively
- Functional Matrix: in this matrix, functional managers have greater powers than project managers
- Project Matrix: in this matrix, project managers have greater powers than functional managers); Balance Matrix: in this matrix, functional managers and project managers have the equal powers.

Three different forms of the matrix organizational structure does not necessarily have the advantages and disadvantages described above: Project Matrix can increase the project's integration, reduce internal power struggle, its weakness is poor control of their functional areas and prone to "project inflammation"; Functional Matrix can provide a better system for managing the conflict between different projects, but maintaining the control of functions is at the cost of inefficient integration of projects; Balanced Matrix can achieve -the balance between technology and project requirements better, but its establishment and management is very subtle, is likely to encounter many problems related to matrix organization.

Question6. What is technical analysis and explain factors considered in it by using suitable example?

Answer6. **Technical analysis** is a means of examining and predicting price movements in the financial markets, by using historical price charts and market statistics. It is based on the idea that if a trader can identify previous market patterns, they can form a fairly accurate prediction of future price trajectories. It is the task of the project manager to select that process or technology that is easy to acquire, appropriate for the project and feasible with budget and **technical** requirements of the proposed project. The choice of technology is influenced by the following considerations: Plant Capacity. Material Inputs.

Factors: Technical analysis of a project is concerned primarily with:

- Material Inputs and Utilities
- Manufacturing Process/Technology
- Product Mix
- Plant Capacity
- Location and Site Development
- Machineries and equipment
- Structures and Civil works
- Projects Charts and Layouts

Technical Analysis of a Project
(1) Material input & utilities – It involves defining the requirements for materials and utilities, specifying their properties and setting up a supply channel. Material input & utilities may be classified into the following:
Raw materials – Materials like agricultural products, Mineral Products, Livestock, Forest Products, Marine Products, etc. **Processed Industrial Materials/Components** – Materials like base metals, semi-processed materials, manufactured parts, small component **Auxiliary materials and factory supplies** – Materials like chemicals, additives, packaging material, paint, oil, grease, cleaning materials and **utilities** – power, water, steam, fuel.
The following must be kept in mind while taking decisions regarding material, inputs and utilities: Physical properties of the material, Transportation, Handling and Storage costs, Quantity available from Domestic/Foreign sources and Past and future trends in prices.

2) Manufacturing process/Technology – Taking a decision on manufacturing process and technology to be used is one of the most important decisions in technical analysis of a project. There are various options and alternatives available for manufacturing a product or service. It is the task of the project manager to select that process or technology that is easy to acquire, appropriate for the project and feasible with budget and technical requirements of the proposed project.
The choice of technology is influenced by the following considerations: Plant Capacity, Material Inputs, Production cost, etc

(3) Product Mix – An important aspect in technical analysis of a project is product mix decision. It is essential to choose an effective product mix as different customers have different taste, preferences and needs. The choice of product mix is usually guided by market requirements. A project manager must keep in mind the quality of products and flexibility in production while taking product mix decisions.

(4) Plant capacity – It refers to the volume or no. of units that can be manufactured during given time period. It is also known as production capacity. It is the task of the project manager to determine the feasible normal capacity and nominal maximum capacity for the project.

Feasible Normal Capacity – It refers to the capacity attainable under normal working condition. It is computed keeping in mind the following factors: Installed capacity (machinery and equipment) Technical conditions of the plan, Normal stoppages, Holidays, shift patterns, Downtime for maintenance etc.
The feasible normal capacity is the actual production capacity of a plant and usually depends upon the following factors: Technical Requirements, Input Constraints, Cost of Investment, Market Conditions, Resources of the company and Government policy
Nominal Maximum Capacity – It refers to capacity that is technically obtainable through use of machines. It is usually the capacity guaranteed by the supplier of machinery.

6) Machinery & Equipment – Machinery and Equipment requirement depends upon the production technology and plant capacity of the proposed project. While conducting a technical analysis of a project the following steps must be used to select machinery and equipment:
Steps to select machinery and equipment for a project- Estimate levels of production over time, Define various machining and operations, Calculate machine hours required for each type of operations and Select equipment and machinery for each function
Types of Machinery and equipment – Plant equipment (process), Mechanical equipment, Electrical equipment, Instruments, Controls and Internal Transportation System and Spare parts and Tools – required with the original equipment and for operational wear and tear.
Things to be considered while selecting machinery and equipment: Availability of power to run machines, transporting heavy equipment, etc.
Machinery may be procured in two ways either by placing different orders to different suppliers or through a turn-key contract
Factors affecting procurement of Machinery→ Quality of machinery, Level of technical sophistication, etc.

(7) Structure and Civil Works – Technical analysis of a project for buildings, structures and civil works involves preparation and development of site which includes: grading and leveling of land, demolition of existing structures, relocation of pipeline, cables, roads, etc.
Environment Aspect – The project must comply with all environmental rules and regulations, all affluent must be disposed-off properly and eco-friendly standards must be adopted in the production process.

(8) Projects Charts & Layout – Once the project manager has sufficient data related to market size, plant capacity, production technology, machinery and equipment, buildings etc. he prepares charts and layouts for the proposed project. Project charts and layouts help to: Define the scope of the project, provide basis for detailed project engineering and help is estimating investment and production cost. **Types of Layout:** General Function Layout, Materials Flow Diagram, Production Line Diagram, Transport Layout, Utility consumption layout, Organizational Layout, etc. **Plant Layout –** It is concerned with the physical layout of the factory. Plant layout is depends upon the production process adopted for the project, it involves the following considerations: Consistency of layout with production process and technology, Smooth flow of goods from 1 stage to another, etc. After conducting a technical analysis, a project implementation schedule is prepared which reflects the plan of action regarding installation of machinery and operation of plant.

Question7. Explain the following concept:

- **Plant location selection**
- **Sources of technology**
- **Appropriate technology**

Answer7. **Plant location selection -**Plant location must be selected properly by entrepreneurs while planning to set up their business units. While taking such a decision, they must consider some important factors.

1. Law and order situation - Plant location must be at that place where law and order situation is in control. Entrepreneurs give a lot of importance to this factor while locating a business unit in any state or region. If a state has bad law and order situation, then the business must not be located within that state, unless it has other important factors such as availability of heavy or bulky raw materials.

2. Availability of infrastructure facilities - Plant location which is selected must have proper infrastructure facilities. Without good infrastructure facilities, it will be difficult to do business efficiently. The infrastructure facilities are the backbone of all industries. Without it, business cannot be done.

3. Good industrial relations - Plant location must be at those places where good industrial-relations are maintained. Industrial relations become bad, because of militant and selfish trade unions. Entrepreneurs do not want to locate their business at places where anti-social elements are rampant, although there are other favorable factors such as good infrastructure facilities, cheap labor, etc.

4. Availability of skilled workforce - Plant location must be convenient and easily accessible to skilled workforce. Most businesses require skilled-labor force such as engineers, management experts, computer programmers, etc. The entrepreneurs must consider the availability of competent and skillful-workforce at a particular place to locate their business.

5. Social infrastructure - Plant location must have good a social infrastructure. There is a need for social-infrastructure not only for employees but also for the development of their families. The availability of social-infrastructure will increase the employees' welfare. There must be suitable social infrastructure facilities like, Education institutions, Hospitals and health centers, etc.

6. Investor friendly attitude - Plant location must be in those states whose governments have an investor-friendly attitude. Government must give attractive incentives and concessions to those who start business units in their states. There must not be any bureaucratic control for starting a business.
An investor-friendly attitude will not only attract investment, but will also result in the overall development.

7. Nearness to market - Plant location must be near a market. Every business unit depends on a market for selling its goods and services. The goods and services must reach the market on time, and it must be available to the consumers at a low price. Therefore, this factor is given importance while selecting location of a plant. Locating a plant near the market is preferred, when the product is fragile (easily breakable), perishable, heavy or bulky and when quick service is required.

8. Nearness to raw-materials' source - Plant location must be usually near to the source of raw-material. Raw-materials' costs are about 50% of the total cost. So, it is important in the business to get the raw materials in time and at a reasonable price. Therefore, a business must be located close to the source of raw material, especially in the case of "Gross Materials." **Gross Materials** are those which lose weight in the production process. Examples of Gross Materials are sugarcane, iron ore, limestone, so on. However, if the raw material is a "Pure Material," then the business may be located away from the source of raw materials. **Pure Materials** are those which add their weight to the finished product. Examples of Pure materials are cotton textiles, bakeries, silk fabrics, etc.

9. Nearness to supporting industries - Plant location must be near its supporting industries and services. If it purchases spare parts from an outside agency, then these agencies must be located very close to the -business. If not, the business will have to spend a lot of extra money on transport. It will also be difficult, to control the quality of the spare parts because of the distant location.

10. Must meet safety requirements - Plant location must meet all essential safety requirements. Due to air, water and sound pollution, some factories have a bad effect on the health of the people. Therefore, these factories must be located away from residential areas. Safety of environment must also be given priority in this regards.

Sources of technology - Resources are things we need to get a job done. Every technological system makes use of seven types of resources: people, information, materials, tools and machines, energy, capital, and time.

People - Technology comes from the needs of people and people's needs drive technology. Humans use what they know, try to learn more, design and create technology using their knowledge and intelligence. NASA scientists had to combine their knowledge with new ideas to come up with a space vehicle and a way to get it to the moon and back safely.People provide the labor on which technology depends, they are needed to provide the products and services we use every day. People are also the consumers of technology and the ones that buy consumer goods produced such as food, cars, homes, etc.

Information - Technology requires information to solve problems and to create new knowledge. Information comes from raw data, that is processed by collecting, recording, classifying, calculating, storing, and retrieving it. Information can be found in many places: in computer files, books, etc., but it is only valuable when we make use of it. We process information by collecting it, thinking about it, and applying it to meet our needs and wants.

Materials - Natural resources found in nature are called raw materials. These include air, water, land, timber, minerals, plants, and animals. Synthetic materials are manufactured materials that may have useful characteristics natural materials do not have.

There are two types of raw materials available for humans to use: Renewable raw materials are those that can be grown and therefore replaced. These include trees, animals, and plants and Nonrenewable raw materials are those that are used up and cannot be replaced, such as oil, gas, coal, and minerals.

Limited and Unlimited Resources - Some resources are available in great amounts, like sand, iron ore, and clay, while others such as fresh water are in short supply. Whenever it is possible, we should use plentiful materials instead of scarce ones.
Synthetic Materials - People have used technology to make synthetic materials as substitutes for scarce materials, helping to save our natural resources. Everyday products such as plastics, acrylic, nylon, Teflon, fiber glass, and gasoline are made from chemicals or oils. Industrial diamonds are made from a form of carbon. Synthetics may have qualities that are more useful than the natural materials they replace.

Tools and Machines - Humans have been using tools to create a better world for themselves for more than a million years. As newer tools were developed through the ages, they have made life easier --and better for humans and are rightfully called the Creators of Civilization. Tools fall into two categories; hand tool and machine tools.

Machines Tools - Early machine tools were mechanical devices that changed the amount, speed, or direction of a force. Early machines used human, animal, or water power to operate.Most modern machines have moving mechanical parts and use electrical energy as a power source to move mechanical parts (for example, those that have electric motors). Electronic tools are widely used for consumer goods, entertainment, and manufacturing. Computers are electronic tools used to process information, operate household items such as microwave ovens, stereo centers, automobiles, and factory machinery. They provide savings on energy and labor that result in better quality products at lower costs for everyone.

Energy - For thousands of years energy came from animal and human power, later humans learned to use wind and water as sources of energy. The world uses a huge amount of energy to make products, move goods and people, and to heat, cool, and light the places where people work and live.
-Renewable energy sources are those that can be replaced such as human and animal muscle power, and wood. Limited energy sources, such as coal, oil, natural gas, and nuclear fission (atomic energy), cannot be replaced once they are used up. Unlimited energy sources, such as sun, wind, gravitational, tidal, geothermal, and nuclear fusion are those more plentiful than we can ever use.

Capital - Capital is a resource needed to build homes or factories, make toasters or automobiles, move people or goods. Any form of wealth, such as money, stock, buildings, machinery, and land, is called capital. A company needs capital to operate or expand the business and may sell stock in the company to people. These investors become part owners (shareholders) in the company and they hope that the company will be successful so that their stock will become more valuable.

Time - Early humans measured time by the rising and setting of the sun and the change of seasons. It was much later that clocks were used to measure time in hours, minutes, and seconds. In the industrial era, time became more important because it sets the price of manufactured goods.

Appropriate technology - Appropriate technology is an ideological movement that involves small-scale, labor-intensive, energy efficient, environmentally sound, people-centered, and locally controlled projects.
Appropriate technology projects: use local materials and people-power often taking the form of "earth building"**,** are culturally sensitive**,** have been requested by locals to fill a self-identified need**,** involve interactive collaboration where both parties grow and develop from the experience.In addition, this method uses open-source knowledge, meaning there must be transparency in the process and outcome, and this information must be shared to ensure it is replicable.

Question8. What is Market survey, attributes of market and explain the concept of market planning?

Answer8. A market analysis is the process of gathering information about a market within an industry. Your analysis studies the dynamics of a market and what makes potential customers tick. A market analysis may seem complex, but it's necessary if you want to lead your business in the direction of success. When you conduct a market analysis, you learn the following: Who are my potential customers? , What are my customers' shopping and buying habits?, How large is my target market?, etc.

Your market analysis can make or break your startup. Analyzing markets helps you reduce risks because you can better understand your customers and market conditions. Your analysis also helps you clarify what makes you different from the competition. That way, you know what makes you stand out. Or, you know what you need to do to set yourself apart. Whether you're starting a venture, introducing a new product, or growing your small business, market research can help take you to the next level. Conducting and writing a market analysis takes time and lots of research. It's not something you can whip up overnight. To help guide you through your market assessment journey, follow the seven market analysis steps below.

1. Determine the purpose of your study - There are many reasons why businesses might conduct market research. You may use them to assess business risks (e.g., threats), reduce issues, or create opportunities. You can look at past problems to decrease future risks. And, analyze past successes to see what you need to continue to do in the future. Before starting any market research, determine whether the analysis is for internal or external purposes. Internal purposes include things like improving cash flow or business operations. External purposes include trying convince lenders to give you a business loan. Your analysis is a critical part of your small business plan. It shows lenders that you know your industry like the back of your hand and that your business has growth potential. The kind of research you conduct varies depending on your analysis' purpose. For example, say you conduct a study for internal purposes. Because it's for internal purposes, you likely won't need to collect as much data as you would with an external purpose. Make sure you determine whether your study will be internal, external, or both before proceeding with your research.

2. Look at your industry's outlook - In your analysis, outline the current state of your industry. Include where the industry is heading using metrics such as size, trends, and projected growth. Be sure to have relevant data to back up your claims. This section will let investors or lenders see that you've done your homework on your business's industry. And, it will show them whether or not your industry is worth their time and money.

3. Pinpoint target customers - The truth is, not every person will be your customer. But that's OK! When you analyze the market, you must determine who your potential customers are. This part of the process is called a target market analysis.You need to fully understand who your customers are and where they come from. Your research should paint a clear picture of your potential customers. Look at things like: age, income, gender,etc. Once you narrow down who your customers are, find out their needs, interests, personalities, and demographics. Consider also creating customer personas based on your research. Many businesses have multiple customer personas. After you compile different customers' characteristics, build different personas to represent your typical customers. Pinpointing your target market can help you better cater to future customers and market more efficiently. As your business grows, your potential customers may evolve or change. Revisit your target market from time to time to ensure they still fit your business.

4. Compare your competition - To further analyze the market, you need to understand your competition. And, you must know who your competitors are trying to target. Take the time to research what other businesses are out there. Look at things like your competition's offerings, location, targeted customers, and disadvantages in the market. Make a list of all of your main competitors. Go through each one on the list and determine their strengths and weaknesses (SWOT analysis). What does their business have that you don't? Why would a customer pick a competitor's business over yours? Do they pose any threat to your business? Once you outline your competitors' strengths, weaknesses, opportunities, and threats, rank them from most to least threatening. Then, determine your startup's advantages and marketing position.

5. Gather additional data - Information is your greatest ally when it comes to conducting a market analysis. The more information you gather and have, the better off your business will be.The data you have should be unbiased, relevant, and factual. You should be able to back up your research and make decisions based on accurate information.Use credible sources to gather additional data. You can take advantage of different resources, such as:The Bureau of Labor Statistics, The Census Bureau**,** State and local commerce websites, Trade journal articles, etc.

6. Analyze your findings - After you analyze the market, it's time to take a look at your findings. Lay out all of your research and organize it using different sections. Include sections for your purpose, target market, and competition. Here are some other things you should include in your findings: An overview of your industry's size and growth rate, Your projected market share percentage, Your outlook for the industry, Discounts you plan on offering, Buying trends, Your business's forecasted growth, etc. Based on your research, you will be able to forecast other things for your business, such as your cash flow cycle, gross margin, and customers' buying habits.

MARKET PLANNING - A marketing plan explains what activities need to be done to bring more awareness to a product or service. However, to successfully implement it we need project management methods. Let's look at an example. Beth owns a small jewelry store and is quite successful. However, she wants to grow her business and decides to create a marketing plan. Even though she puts together a plan, she does not understand where to begin and how to monitor the progress on her marketing efforts. That is where a project management method would help.

A marketing plan project can follow the general framework of a project management method. The stages below will outline the steps that businesses take to make a marketing plan. Initiate is typically the first stage in a project management framework where goals are defined. Once goals are defined they are prioritized. Mr. X defines her goals as improving her website and increasing her social media activity, which in turn will improve her sales. She prioritizes that social media activity could use a huge impact since a lot of women who buy jewelry are very active in that space.

Planning is the stage where typically budgets and schedules are determined. The resources for the project and the execution timeline is also decided in this stage. In our example, Beth decides how much she will spend on this project. She assigns a budget of $25,000. She also decides whose help she will use to execute her plan. She will hire a social media marketing firm who will help her get more social media presence. Beth also puts a schedule together. Execution is the stage where all the planning is put into action. Mr. X works with the social media marketing firm to create and publish social media articles to gain exposure. Monitoring and Controlling stage is an opportunity to see if the project is executed per plan. It is also an opportunity to determine if the plan needs any course correction in case there is any deviation. Mr. X looks at the results. She sees that the social media marketing efforts has increased her sales by 35%. She is assured that she is doing correct.

Question9. What is Network analysis and its relevance in project management, explain it?

Answer9. Projects are broken down into individual tasks or activities, which are arranged in logical sequence. It is also decided that which tasks will be performed simultaneously and which other sequentially. A network diagram is prepared, which presents visually the relationship between all the activities involved and the cost for different activities. Network analysis helps designing, planning, coordinating, controlling and in decision-making in order to accomplish the project economically in the minimum available time with the limited available resources. The network analysis fulfils the objectives of reducing total time, cost, idle resources, interruptions and conflicts.

Managerial applications of network analysis are as follows:

1. Assembly line scheduling,
2. Research and development,
3. Inventory planning and control,
4. Shifting of manufacturing plant from one site to another,
5. Launching of new products and advertising campaigns,
6. Control of traffic flow in cities,
7. Budget and audit procedures,
8. Launching space programs,
9. Installation of new equipment,
10. Long-range planning and developing staffing plans, etc.

Program Evaluation Review Technique - PERT is a project management planning tool used to calculate the amount of time it will take to realistically finish a project. PERT stands for Program Evaluation Review Technique. PERT charts are tools used to plan tasks within a project - making it easier to schedule and coordinate team members accomplishing the work. PERT charts were created in the 1950s to help manage the creation of weapons and defense projects for the US Navy. While PERT was being introduced in the Navy, the private sector simultaneously gave rise to a similar method called Critical Path. PERT is similar to critical path in that they are both used to visualize the timeline and the work that must be done for a project. However with PERT, you create three different time estimates for the project: you estimate the shortest possible amount time each task will take, the most probable amount of time, and the longest amount of time tasks might take if things don't go as planned. PERT is calculated backward from a fixed end date since contractor deadlines typically cannot be moved.

Critical Path Method - It is an internationally recognized collection of processes and knowledge areas accepted as best practice for the project management profession, defines the critical path as "the sequence of scheduled activities that determines the duration of the project." It is the longest sequence of tasks in a project plan that must be completed on time in order for the project to meet its deadline. If there is a delay in any task on the critical path, then your whole project will be delayed. Although many projects have only one critical path, some projects may have multiple critical paths. The critical path method is a step-by-step project management technique to identify activities on the critical path. It is an approach to project scheduling that breaks the project into several work tasks, displays them in a flow chart, and then calculates the project duration based on estimated durations for each task. It identifies tasks that are critical, time-wise, in completing the project.

Question10. Distinguish between Program Evaluation Review Technique and Critical Path Method?

Answer10. The most important differences between PERT and CPM are provided below:

1. PERT is a project management technique, whereby planning, scheduling, organizing, coordinating and controlling uncertain activities are done. CPM is a statistical technique of project management in which planning, scheduling, organizing, coordination and control of well-defined activities take place.
2. PERT is a technique of planning and control of time. Unlike CPM is a method to control costs and time.
3. While PERT is evolved as a research and development project, CPM evolved as a construction project.
4. PERT is set according to events while CPM is aligned towards activities.
5. A deterministic model is used in CPM. Conversely, PERT uses a probabilistic model.
6. There are three times estimates in PERT, i.e. optimistic time (to), most likely time ™, pessimistic time (tp). On the other hand, there is only one estimate in CPM.
7. PERT technique is best suited for a high precision time estimate, whereas CPM is appropriate for a reasonable time estimate.
8. PERT deals with unpredictable activities, but CPM deals with predictable activities

9. PERT is used where the nature of the job is non-repetitive. In contrast to, CPM involves the job of repetitive nature.
10. There is a demarcation between critical and non-critical activities in CPM, which is not in the case of PERT.
11. PERT is best for research and development projects, but CPM is for non-research projects like construction projects.
12. Crashing is a compression technique applied to CPM, to shorten the project duration, along with the least additional cost. The crashing concept is not applicable to PERT

Question11. What is Feasibility study and explain types of Feasibility study by using suitable example of it?

Answe11. A financial feasibility study projects how much start-up capital is needed, sources of capital, returns on investment, and other financial considerations. The study considers how much cash is needed, where it will come from, and how it will be spent. It can focus on one particular project or area, or on a group of projects (such as advertising campaigns.

Five Types Of Financial Feasibility Studies

Cost estimates- cost consideration that prompts the projects manager to aim at the time reduction. The relationship between cost and time is not that simple. It cannot be said that time reduction will always lead to cost reduction. This depends upon the nature of the activity may cost less or more when its completion time is shortened. For example, if cost of the project is Rs. 10 lacs. and need to be complete of the project within 5 years.

Return on investments – It is the amount which is received after the completion of certain period that we invested at previous for the sake of earning. For example, if cost of the project is Rs. 10 lacs. and need to be complete the project within 5years after completion of the project the return must be more than Rs. 6 lacs.

Payback period – it is that period which represents that the amount we invested previously is recovered. For example, if cost of the project is Rs. 10 lacs and need to be complete the project within 5 years and if the investor is getting back the invested amounted within 3 years after the project completion then the period of 3years is known as payback period.

NPV – It is the amount difference between total cash inflow and total cash outflow. For example, if cost of the project is Rs. 10 lacs and need to be complete the project within 5 years and if the investor is getting back the invested amounted i.e., Rs. 12lacs after completion of the project. Then the difference of cash inflow Rs. 12 lacs against cash outflow Rs. 10 lacs is Rs. 2lacs

Impact – its shows the total impact of project feasibility in terms of monetary values. For example, if cost of the project is Rs. 10 lacs and need to be complete the project within 5 years and if the investor is getting back the invested amounted i.e., Rs. 12lacs after completion of the project. Then the difference of cash inflow Rs. 12 lacs against cash outflow Rs. 10 lacs is Rs. 2lacs, it resulted positive impact on feasibility of the project.

Question12. Explain the following concept:

- **Return of Investment**
- **Payback Period**
- **Net Present Value**

Answers12. **Potential Returns for Investors Feasibility Study -** Investors can be a friends, family members, professional associates, client, partners, share holders, or investment institutions. Any business or individual willing to give you cash can be a potential investor. Investors give you money with the understanding that they will receive "returns" on their investment, that is, in addition to the amount that is invested they will get a percentage of profits. In order to entice investors you need to show how your business will make profits, when it will begin to make profits, how much profit it will make, and what investors will gain from their investment. The investment return section should offer both a description of how investors will be involved and discuss different variables that will affect the profitability of your business, offering more than one scenario.

Paying Back Investors - How investors will be paid will vary according to individual investment offers. Read every offer over very carefully —not all investors will be right for your business. The investment section of your financial feasibility study should not make specific or binding offers to investors. Do not state investors will be paid specific dollar amounts by certain dates. Instead, list general practices for how investments return will be distributed, assuming different business scenarios. For example, you might state that investors will be paid X amount of dollars or X% on their investment at the end of any business quarter where profits exceed a certain threshold. Project total revenue, deduct business expenses, and then from the remaining amount, decide what percentage will be distributed to investors. You should never promise 100% of the remaining amount to investors. You need to keep cash on hand to continue operating your business, to grow your business, and to build reserves. Most investment returns are typically distributed on a quarterly, bi-annual, or annual basis. Consider how the various distribution cycles could affect your business' cash flow during the -first two years of operation. In other words, do not just run one set of numbers, examine each type of distribution and support why you think the option you choose is the best one.

Net present value (NPV) is the difference between the present value of cash inflows and the present value of cash outflows over a period of time. NPV is used in capital budgeting and investment planning to analyze the profitability of a projected investment or project. A positive net present value indicates that the projected earnings generated by a project or investment - in present dollars - exceed the anticipated costs, also in present dollars. It is assumed that an investment with a positive NPV will be profitable, and an investment with a negative NPV will result in a net loss. This concept is the basis for the Net Present Value Rule, which dictates that only investments with positive NPV values should be considered.

Question13. Explain the steps of Feasibility study and its relevance in project management?

Answer13.The study is an assessment of the financial aspects of something. It could be anything, but is most often used to consider a few key points that, if refined correctly, should answer most of the basic questions of the following:

Start-Up Capital Requirements - Start-up capital is how much cash you need to start your business and keep it running until it is self-sustaining. You should include enough capital funds (cash, or access to cash) to run the business for one to two years. Although many business or sole proprietorships determine their capital requirements individually, larger corporations may use the help of their respective bank or capital firm to pinpoint capital requirements for either a round of funding or business launch.

Finding Start-Up Capital Funding Sources - There are many ways to raise capital for your business, but no matter what route you take, investors are more likely to invest, banks are more likely to approve loans, and large corporations are more likely to give you contracts if you have personally invested in the business yourself. Depending on the size of your business, you may be able to utilize one of the many Small Business Administration's (SBA) Microloan programs. Using these, you will not need much capital, as the program allows for a much smaller down-payment on their lending partner's loans. These can vary, but are around three-to-twelve percent. When you make a list of funding resources, be sure to include anything that you can contribute to the business, including free labor. If you are starting a nonprofit organization, your donated professional time may even be tax deductible for you.

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In order to entice investors you need to show how your business will make profits, when it will begin to make profits, how much profit it will make, and what investors will gain from their investment. The investment return section should offer both a description of how investors will be involved and discuss different variables that will affect the profitability of your business, offering more than one scenario.

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Most investment returns are typically distributed on a quarterly, bi-annual, or annual basis. Consider how the various distribution cycles could affect your business' cash flow during the -first two years of operation. In other words, do not just run one set of numbers, examine each type of distribution and support why you think the option you choose is the best one.

Question14. Explain the Importance of Financial Feasibility, explain it from the project management point of view?

Answer14. As the name implies, a feasibility analysis is used to determine the viability of an idea, such as ensuring a project is legally and technically feasible as well as economically justifiable. It tells us whether a project is worth the investment in some cases, a project may not be doable. There can be many reasons for this, including requiring too many resources, which not only prevents those resources from performing other tasks but also may cost more than an organization would earn back by taking on a project that isn't profitable. A well-designed study should offer a historical background of the business or project, such as a description of the product or service, accounting statements, details of operations and management, marketing research and policies, financial data, legal requirements, and tax obligations. Generally, such studies precede technical development and project implementation. The importance of a feasibility study is based on organizational desire to "get it right" before committing resources, time, or budget. A feasibility study might uncover new ideas that could completely change a project's scope. It's best to make these determinations in advance, rather than to jump in and to learn that the project won't work. Conducting a feasibility study is always beneficial to the project as it gives you and other stakeholders a clear picture of the proposed project

Question15. Explain the concept of components of cost of project and its estimates?

Answer15. A project lives and dies by its budget. A project can only come together with all the necessary materials and labor, and those materials and labors cost money. And in this new economic reality, businesses are looking to pay less and less for those materials and labor while maintaining—or even increasing—quality and scope. So how do you put together a budget that will bring the project to fruition while keeping costs to a minimum? That's why proper cost estimation is important.

Cost estimation in project management is the process of forecasting the financial and other resources needed to complete a project within a defined scope. Cost estimation accounts for each element required for the project from materials to labor and calculates a total amount that determines a project's budget. An initial cost estimate can determine whether an organization green lights a project, and if the project moves forward, the estimate can be a factor in defining the project's scope. If the cost estimation comes in too high, an organization may decide to pare down the project to fit what they can afford. (It is also required to begin securing funding for the project.) Once the project is in motion, the cost estimate is used to manage all of its affiliated costs in order to keep the project on budget.

There are two key types of costs addressed by the cost estimation process:

- Direct costs: These are the costs associated with a single area, such as a department or this particular project itself. Examples of direct costs include fixed labor, materials and equipment.
- Indirect costs: These are costs incurred by the organization at large, such as utilities and quality control.

Within these two categories, some typical elements that a cost estimation will take into account include: Labor: the cost of project team members working on the project, both in terms of wages and time, Materials and equipment: The cost of resources required for the project, from physical tools to software to legal permits, Facilities: the cost of using any working spaces not owned by the organization., Vendors: the cost of hiring third-party vendors or contractors. The cost of any contingency plans implemented to reduce risk.

Question16. What is Project Monitoring and Controlling and explain the concept by using suitable example of it?

Answer16. Project Monitoring & Control Process - Evaluation and comparison of actual measured results against those planned is the fundamental principle of project monitoring process, whenever there is a variance, corrective action is required to keep the project on schedule and to budget, The inputs are the project plan and progress reports that contain data collected from the project team, where progress deviates significantly, and this usually means out • outside of a predetermined tolerance limit, it is important to identify the underlying causes and take corrective action, etc.

Monitoring - Collect - Get the data about the current status of your project.

- Measure and Compare. - Compare with baseline plan, highlight any deviation, make a projection based on current data.
- Assess and Re-plan - Decide whether corrective actions are necessary and If so, plan, document, and take the corrective actions.

Question17. What are the sources of Risk in Project management and how project owners managing the risk?

- Answer17. **Cost risk**, typically escalation of project costs due to poor cost estimating accuracy and scope creep.
- **Schedule risk**, the risk that activities will take longer than expected. Slippages in schedule typically increase costs and, also, delay the receipt of project benefits, with a possible loss of competitive advantage.
- **Performance risk**, the risk that the project will fail to produce results consistent with project specifications.

There are many other types of risks of concern to projects. These risks can result in cost, schedule, or performance problems and create other types of adverse consequences for the organization. For example:

- **Governance risk** relates to board and management performance with regard to ethics, community stewardship, and company reputation.
- **Strategic risks** result from errors in strategy, such as choosing a technology that can't be made to work.
- **Operational risk** includes risks from poor implementation and process problems such as procurement, production, and distribution.
- **Market risks** include competition, foreign exchange, commodity markets, and interest rate risk, as well as liquidity and credit risks.
- **Legal risks** arise from legal and regulatory obligations, including contract risks and litigation brought against the organization.
- **Risks associated with external hazards**, including storms, floods, and earthquakes; vandalism, sabotage, and terrorism; labor strikes; and civil unrest.

As indicated by these examples, project risks include both internal risks associated with successfully completing each stage of the project, plus risks that are beyond the control of the project team. These latter types include external risks that arise from outside the organization but affect the ultimate value to be derived from the project. In all cases, the seriousness of the risk depends on the nature and magnitude of the possible end consequences and their probabilities.

Managing the risk - Once you have identified risks that may affect your project, the next step is managing them. The first thing you should do is determine your project's risk tolerance. If you're considering how to manage risk in a project, start with these steps:

Step 1: Determine Your "Risk Tolerance" - How much risk can you take on before you consider abandoning the project? This is an essential conversation to have with your stakeholders.

Step 2: Decide Which Risks to Manage - Once you've determined the project's risk tolerance level, you can start to identify which risks are worth your time and attention. Even if a risk has a high probability of occurring, if its impact is small — say it would add $200 to your project costs and your budget is $50 million — you may choose to ignore it if counteracting the risk isn't a good use of your time and resources.

Step 3: Identify Project Risk Triggers - What cues might indicate a particular risk is imminent?

Step 4: Create an Action Plan - If a risk occurs, what's the most effective response? What will your team do, and who's responsible for what? Make sure you've thought each piece through and everyone on your team knows the plan. You may be wondering how to mitigate risk in project management. Think about what can be done to reduce the probability of a risk occurring, or minimize its negative impact. For instance, can you provide Purell during flu season? Or spread important tasks among the team so progress can be made even if some members are out sick for a few days? You'll never be able to completely eliminate uncertainties, but having a plan in place can keep small problems from growing into full-blown catastrophes. Note that risk management isn't something you do once — it's an ongoing process you should keep up throughout your project.

Question18. Explain the concept of Social cost Benefit analysis and its relevance in project management?

Answer18. Social cost-benefit analysis is a systematic and cohesive economic tool(method) to survey all the impacts caused by an urban development project[1]. It comprises not just the financial effects (investment costs, direct benefits like tax and fees, et cetera), but all the social effects, like: pollution, safety, indirect (labour) market, legal aspects, etc. The -main aim of a social cost-benefit analysis is to attach a price to as many effects as possible in order to uniformly weigh the above-mentioned heterogeneous effects. As a result, these prices reflect the value a society attaches to the caused effects, enabling the decision maker to form a statement about the net social welfare effects of a project.

Relevance - Knowledge about economic models/tools such as the social cost-benefit analysis can help the urban planner to systematically survey all the relevant (socio-economic) impact caused by an urban development and security threats. This insight will help the responsible urban planners to make the best choices from an socio-economic point of view.

The null hypothesis – A major advantage of a social cost-benefit analysis is that it enables investors to systematically and cohesively compare different project alternatives. Hence, these alternatives will not just be compared intrinsically, but will also be set against the "null alternative hypothesis". This hypothesis describes "the most likely" scenario development in case a project will not be executed. Put differently, investments on a smaller scale will be included in the null alternative hypothesis in order to make a realistic comparison in a situation without "huge" investments.

Measured impacts - The social cost-benefit analysis calculates the direct (primary), indirect (secondary) and external effects:Project Abandonment Analysis is a process that organizations should execute before making decisions upon stopping or continuation of their projects. This analysis embraces economic and administrative considerations that an organization should give to their projects prior to making a well-grounded project continuation vs. abandon decision when it is necessary for an organization to cease some of their projects for the sake of a better viability of their other project.Project abandonment analysis comprises the following considerations:

- Justifying reasons for organization to shut certain project down – why it doesn't make sense anymore to continue this project and why it is better to terminate it, instead of just freezing it.
- Comparing losses that a company will incur from abandonment of certain project against the profits it can prospectively earn by reallocation of resources to other projects.
- Appraising values of unattained benefits (belonging to a project to be abandoned) against all other benefits that can be achieved at their costs (from other projects).
- Evaluation of effects that project abandonment may cause to an organization owning it.

Construction site - Direct effects are the costs and benefits that can be directly linked to the owners/users of the project properties (e.g., the users and the owner of a building or highway).

• Indirect effects are the costs and benefits that are passed on to the producers and consumers outside the market with which the project is involved (e.g., the owner of a bakery nearby the new building, or a business company located near the newly planned highway).

• External effects are the costs and benefits that cannot be passed on to any existing market because they relate to issues like the environment (noise, emission of CO_2 etc.), safety (traffic, external security) and nature (biodiversity, dehydration etc.).

The model engineers try to quantify and monetize as much effects as possible. Effects that cannot be monetized are presented in such a way that they can be compared. This way, policy-makers can include these effects in their final judgement if an urban planning project (or a particular variation) is worth investing in. The method of monetizing effects can also influence the outcome of a social cost-benefit analysis and predictions will always remain uncertain. Therefore, the results of a social cost-benefit analysis are not absolute.

Nevertheless, it is a sufficient instrument to investigate the strong and weak points of the different alternatives.
Results of a social cost-benefit analysis
The result of a social cost-benefit analysis are:

1. ***An integrated way of comparing the different effects.*** All relevant costs and benefits of the different project implementations (alternatives) are identified and monetized as far as possible. Effects that cannot be monetized are described and quantified as much as possible.
2. ***Attention for the distribution of costs and benefits.*** The benefits of a project do not always get to the groups bearing the costs. A social cost-benefit analysis gives insight in who bears the costs and who derives the benefits.
3. ***Comparison of the project alternatives.*** A social cost-benefit analysis is a good method to show the differences between project alternatives and provides information to make a well informed decision.

Question19. What is the role of Information Technology in project and explain the concept by using suitable example of it?

Answer19. Organizations typically establish a project management office to standardize project management processes, tools, techniques and templates. A project management officer in the information technology industry typically maintains a repository for project proposals, plans, status reports and change requests. By overseeing multiple IT projects, he ensures the projects comply with standards. He also improves project management capabilities in the organization by providing training, mentoring and coaching to personnel to increase their competence and skills. Additionally, a project management office typically conducts post-project reviews to document the lessons learned and continuously improve the IT project management process.

A project management officer directs a systemic approach to project management in the IT organization. Each IT project manager identifies his products and services to the project management office. They become accountable and responsible for their individual project outcomes while the project management office provides the oversight and support necessary for collaborating project teams to succeed.

Question20. Explain the concept of Future of Project management by using role IT in it with example?

Answer20. Following the concept of Future of Project management by using role IT in it with example:

Planning - An effective project management officer in the IT industry helps everyone in the organization develop the skills and knowledge to run IT projects effectively. He provides guidance on how to define schedules, allocate resources efficiently, produce status reports, generate project plan documents and get approvals. The project management office in an IT department provides tools and templates to help scope out projects. By facilitating meetings between sponsors and IT development teams, the project management office can help an IT organization prioritize its projects, such as business intelligence, security, mobile applications, productivity tools and social networking websites, and ensure they align to the company's strategic objectives

Administration - By maintaining a repository for project-specific data, an effective project management office helps IT project managers store project schedules and report the status of projects. The IT Governance Institute provides tips and resources to help a project management office ensure that IT projects align with business goals and values, that performance gets measured and risks get managed effectively using this data. Additionally, by providing a repository that reports the availability of highly trained IT professionals capable of completing project tasks, the project management officer enables organizational readiness and efficient resource allocation.

Considerations - Avoid establishing a project management office simply to take control from individual IT projects managers because past projects failed, recent results generated low revenue or a new project is bigger or more complex than previous efforts. This removes power from the IT project managers who have specialized expertise required to make technical IT project decisions. An effective project management officer recognizes the expertise of IT project managers and contributes to project planning, execution and closure by providing templates and other support without threatening anyone

Q.1 what is proposed Constitutional Amendment?

A newly inserted article 246A in the Constitution shall provide for special provision with respect to GST. According to the Bill, the following important clauses of the Bill are worth noting:

1. Clause 246A

The Legislature of every State shall have power to make laws with respect to goods and services tax imposed by the Union or by such State. Parliament will have exclusive power to make laws with respect to goods and services tax where the supply of goods, or of services, or both takes place in the course of inter-State trade or commerce.

2. Clause 269A

- Goods and services tax on supplies in the course of inter-State trade or commerce shall be levied and collected by the government of India and such tax shall be apportioned between the Union and the States in the manner as may be provided by Parliament by law on the recommendations of the Goods and Services Tax Council.
- Supply of goods or services, or both in the course of import into the territory of India shall be deemed to be supply of goods or services, or both in the course of inter-state trade or commerce.
- Parliament may, by law, formulate the principles for determining the place of supply, and when a supply of goods or of services, or both takes place in the course of inter-state trade or commerce.

3. Clause 279A

The President shall, within sixty days from the date of commencement of the Constitution (One Hundred and Twenty-second Amendment) Act, 2014, by order, constitute a Council to be called the Goods and Services Tax Council.

4. Clause 279A

The Goods and Services Tax Council shall make recommendations to the Union and the States on-

1. The taxes, cesses and surcharges levied by the Union, the States and the local bodies which may be subsumed in the goods and services tax;
2. The goods and services that may be subjected to, or exempted from the goods and services tax;
3. Model Goods and Services Tax Laws, principles of levy, apportionment of integrated Goods and Services Tax and the principles that govern the place of supply;

4. The threshold limit of turnover below which goods and services may be exempted from goods and services tax;
5. The rates including floor rates with bands of goods and services tax;
6. Any special rate or rates for a specified period, to raise additional resources during any natural calamity or disaster;
7. Special provision with respect to the States of Arunachal Pradesh, Assam, Jammu and Kashmir, Manipur; Meghalaya, Mizoram, Nagaland, Sikkim, Tripura, Himachal Pradesh and Uttarakhand.

Q.2 what will the Goods & Service Tax Council do?

Apart from aforementioned recommendations, GST Council shall undertake the following-

1. The Goods and Services Tax Council shall recommend the date on which the goods and services tax be levied on petroleum crude, high speed diesel, motor spirit (commonly known as petrol), natural gas and aviation turbine fuel. While discharging the functions conferred by this article, the Goods and Services Tax Council shall be guided by the need for a harmonized structure of goods and services tax and for the development of a harmonized national market for goods and services.
2. The Goods and Services Tax Council shall determine the procedure in the performance of its functions.
3. The Goods and Services Tax Council may decide about the modalities to resolve disputes arising out of its recommendations.

Meaning of Goods / Services / GST

The amendment Bill defines these terms-

- "goods" includes all materials, commodities, and articles; [article 366 (12)]
- "services" means anything other than goods: [article 366 (26A)]
- "goods and services tax" means any tax on supply of goods or services or both except taxes on the supply of the alcoholic liquor for human consumption; [article 366 (12A)]

'Goods' and 'Services' are otherwise defined in other enactments such as Central Excise Act, 1944, Sale of Goods Act, 1930, The Finance Act, 1994 (Service Tax) etc.

Q.3 **what is a supply under GST? Why is the concept of mixed supply & composite supply important?**

The expression “supply” simply means all forms of supply of goods/ services. It is made for a consideration during the course of business and includes the following:

- Sale
- Transfer
- Barter
- Exchange
- License
- Rental
- Lease
- Disposal
- Import of services for a consideration (if even it is not in the course or furtherance of business)

The concept of mixed supply & composite supply important

Specific rates for goods and services have been defined by the GST Council. GST Rate for each type of goods and services have been defined in the GST Law. So if you are supplying a particular good or a service rates are easy to identify. However, sometimes supply of a good and service may be connected or may be done together even though not connect. Say for example, an AC is supplied and AC installation services are also supplied along with it. The GST Act defines how such supply must be rated. Therefore, the concept of composite supply and mixed supply becomes important. It helps to determine the correct GST rate and provides uniform tax treatment under GST for such supplies.

Q.4 what is a bundled supply?How to determine if it is naturally bundled, i.e., it cannot be separated?

A bundled supply is a combination of goods and/or services. This concept was mainly found in service tax where a bundled service meant a combination of two or more services

To determine if it is naturally bundled, i.e., it cannot be separated

The question of bundled supply in the ordinary course of business depends on the normal practices followed in the industry. Here are some ways to identify them:

1. If buyers mostly expect such services to be provided as a package, then the package will be treated as naturally bundled.

For example, most business conventions look for combination of hotel accommodation, auditorium and food.

2. If most of the service providers in the industry provide a package of services then it can be considered as naturally bundled. For example, air transport and food on board is a bundle offered by most airlines.

3. The nature of the various services in a bundle of services will also help to identify whether the services are bundled.

If there is a main service and the others are ancillary service then it becomes a bundled service.

For example, five- star hotels often provide free laundry services on staying at the hotel. Renting the room is the primary service and laundry is ancillary. A person can opt for laundry services only if he is staying at the hotel

Other indicators of bundling of services in the ordinary course of business (but they are not a foolproof identification):

– There is a single price for the package even if the customers opt for less

– The components are normally advertised as a package

– The different components are not available separately

Q.5 what is mixed supply under GST?

- Mixed supply under GST means a combination of two or more goods or services made together for a single price.
- Each of these items can be supplied separately and is not dependent on any other.

Under GST, a mixed supply will have the tax rate of the item which has the highest rate of tax.

For example-

A Diwali gift box consisting of canned foods, sweets, chocolates, cakes, dry fruits, and aerated drink and fruit juices supplied for a single price is a mixed supply. All are also sold separately. Since aerated drinks have the highest GST rate of 28%, aerated drinks will be treated as principal supply and 28% will apply on the entire gift box.

Time of supply in case of mixed supplies

If the highest tax rate belongs to a service then the mixed supply will be treated as the supply of services. The provisions relating to time of supply of services would be applicable.

Similarly, if the highest tax rate belongs to goods then the mixed supply will be treated as supply of goods. The provisions relating to time of supply of services would be applicable.

Q.6 what does

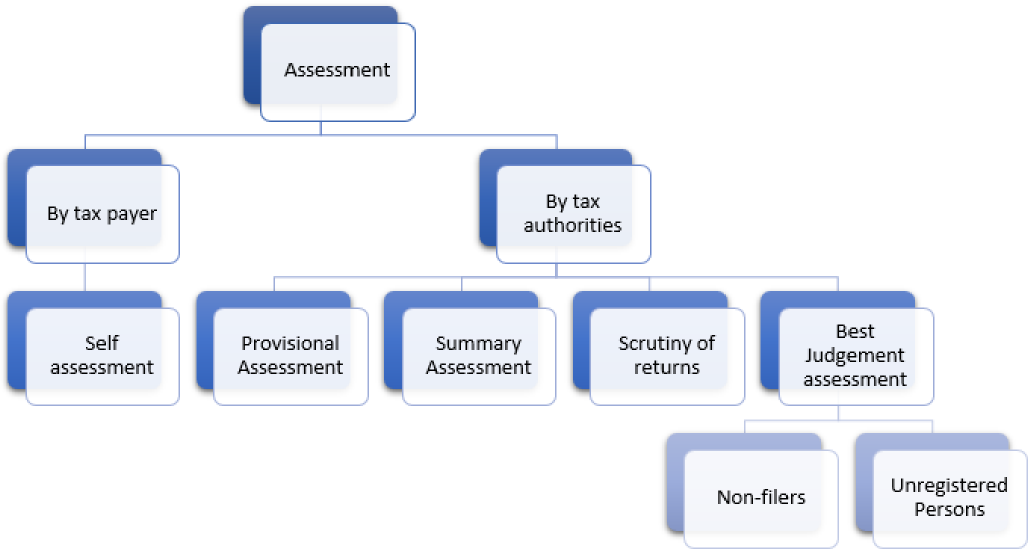
Assessment under GST mean?

Assessment means determination of tax liability under GST law. Below are the various types of assessment under GST.

Types of Assessment under GST

- Self-assessment
- Provisional assessment
- Scrutiny assessment
- Best judgment assessment
- Assessment of non-filers of returns
- Assessment of unregistered persons
- Summary assessment

Only self-assessment is done by the taxpayer himself. All the other assessments are by tax authorities.



Self-Assessment

Every registered taxable person shall himself assess the taxes payable and furnish a return for each tax period. This means GST continues to promote self-assessment just like the Excise, VAT and Service Tax under current tax regime.

Provisional Assessment

An assessee can request the officer for provisional assessment if he is unable to determine value or rate.

Unable to determine **value** due to difficulty in –

- Calculating the transaction value
- Understanding whether certain receipts should be included or not

Unable to determine **rate of tax** due to difficulty in –

- Classifying the goods/services
- Identifying whether any notification is applicable or not

Provisions of Provisional Assessment

- **Requests for provisional assessments will be given in writing**
- The proper officer can allow paying tax on provisional basis at a rate or on a value specified by him.
- Order will be passed within 90 days from date of request.
- The taxable person has to issue a bond with a security promising to pay the difference between provisionally assessed tax and final assessed tax.
- **Provisional assessments will be followed by final assessments.** The proper officer can ask for information before final assessment.

Time Limit for Final Assessments

The final assessment will be done within 6 months of the provisional assessment. This can be extended for 6 months by the Joint/Additional Commissioner. However, the Commissioner can extend it for further 4 years as he seems fit.

Interest on Additional Tax Payable and Refunds

The tax payer will have to pay interest on any tax payable under provisional assessment which was not paid within the due date. Interest period will be calculated from the day when tax was first due on the goods/services (and not the date of provisional assessment) till the actual payment date, irrespective of payment being before or after final assessment. Rate of interest will be maximum 18%.

If the tax as per final assessment is less than provisional assessment then the taxable person will get a refund. He will also get interest on refund.

Rate of interest will be maximum 6%.

Scrutiny of Returns

The proper officer can scrutinize the return to verify its correctness. It is a non-compulsory pre-adjudication process. In simple words, it is not mandatory for the officer to scrutinize return. Scrutiny of returns is not a legal or judicial proceeding,i.e., no order can be passed. The officer will ask for explanations on discrepancies noticed.

Q.7 what is account and records under GST?

- Maintenance of Accounts by Registered Persons
- (1) Every registered person shall keep and maintain, in addition to the particulars mentioned in sub-section (1) of section 35, a true
and correct account of the goods or services imported or exported or of supplies attracting payment of tax on reverse charge along with the relevant

documents, including invoices, bills of supply, delivery challans, credit notes, debit notes, receipt vouchers, payment vouchers and
Refund vouchers.

- (2) Every registered person, other than a person paying tax under section 10, shall maintain the accounts of stock in respect of goods received and supplied by him, and such accounts shall contain particulars of the opening balance, receipt, supply, goods lost, stolen, destroyed,
Written off or disposed of by way of gift or free sample and the balance of stock including raw materials, finished goods, scrap and wastage thereof.

- (3) Every registered person shall keep and maintain a separate account of advances received, paid and adjustments made thereto.

- (4) Every registered person, other than a person paying tax under section 10, shall keep and maintain an account, containing the details of tax payable (including tax payable in accordance with the provisions of sub-section (3) and sub-section (4) of section 9), tax collected and paid,
Input tax, input tax credit claimed, together with a register of tax invoice, credit notes, debit notes, delivery challan issued or received during any tax period.

- (5) Every registered person shall keep the particulars of –
- (a) Names and complete addresses of suppliers from whom he has received the goods or services chargeable to tax under the Act;
- (b) Names and complete addresses of the persons to whom he has supplied goods or services.
- (c) The complete address of the premises where goods are stored by him, including goods stored during transit along with the particulars of the stock stored therein.

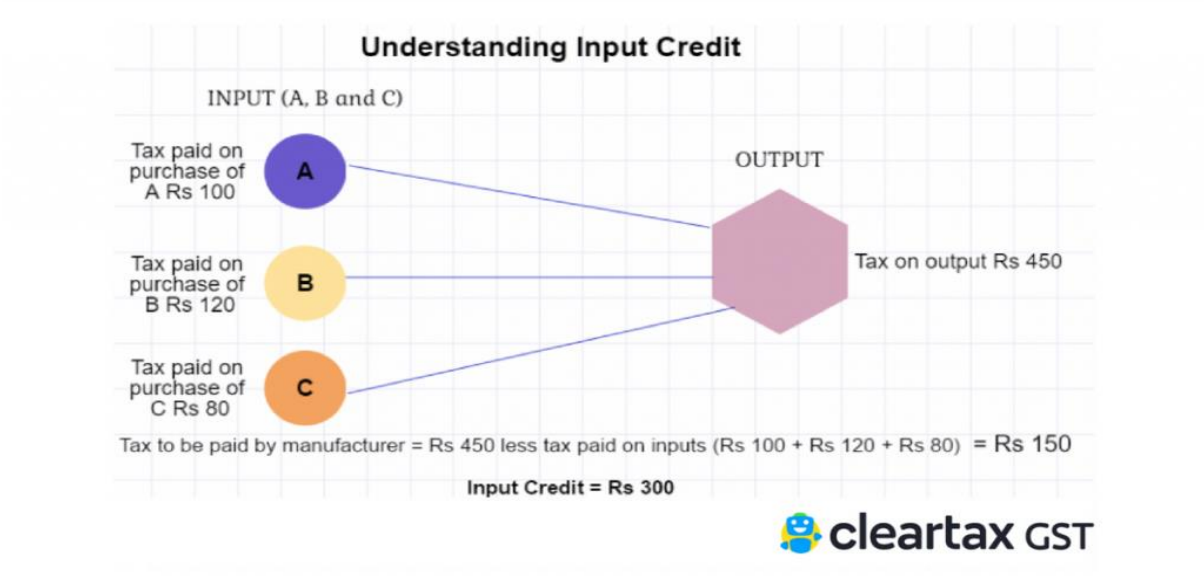
Q.8 what is **input** tax credit?

Input credit means at the time of paying tax on output, you can reduce the tax you have already paid on inputs and pay the balance amount.

Here's how-

When you buy a product/service from a registered dealer you pay taxes on the purchase. On selling, you collect the tax. You adjust the taxes paid at the time of purchase with the amount of output tax (tax on sales) and balance liability of tax (tax on sales *minus* tax on purchase) has to be paid to the government. This mechanism is called utilization of input tax credit.

For example- you are a manufacturer:
a. Tax payable on output (FINAL PRODUCT) is Rs 450
b. Tax paid on input (PURCHASES) is Rs 300
c. You can claim INPUT CREDIT of Rs 300 and you only need to deposit Rs150 in taxes.



Q.9 **who can claim ITC?**

ITC can be claimed by a person registered under GST only if he fulfills all the conditions as prescribed.

a. The dealer should be in possession of tax invoice

b. The said goods/services have been received

c. Returns have been filed.

d. The tax charged has been paid to the government by the supplier.

e. When goods are received in installments ITC can be claimed only when the last lot is received.

f. No ITC will be allowed if depreciation has been claimed on tax component of a capital good

A person registered under composition scheme in GST cannot claim ITC.

What can be claimed as ITC?

ITC can be claimed only for business purposes**.** ITC will not be available for goods or services exclusively used for:

a. Personal use

b. Exempt supplies

c. Supplies for which ITC is specifically not available

How to claim ITC?

All regular taxpayers must report the amount of input tax credit (ITC) in their monthly GST returns of Form GSTR-3B. The table 4 requires the summary figure of eligible ITC, Ineligible ITC and ITC reversed during the tax period. The format of the Table 4 is given below:

4. Eligible ITC

Details	Integrated Tax	Central Tax	State/UT Tax	Cess
1	2	3	4	5
(A) ITC Available (whether in full or part)				
(1) Import of goods				
(2) Import of services				
(3) Inward supplies liable to reverse charge (other than 1 & 2 above)				
(4) Inward supplies from ISD				
(5) All other ITC				
(B) ITC Reversed				
(1) As per rules 42 & 43 of CGST Rules				
(2) Others				
(C) Net ITC Available (A) – (B)				
(D) Ineligible ITC				
(1) As per section 17(5)				
(2) Others				

A taxpayer can claim ITC on a provisional basis in the GSTR-3B to an extent of 20% of the eligible ITC reported by suppliers in the auto-generated GSTR-2A return.

Hence, a taxpayer should cross-check the GSTR-2A figure before proceeding to file GSTR-3B. A taxpayer could have claimed any amount of provisional ITC until 9 October 2019. But, the CBIC has notified that from 9 October 2019, a taxpayer can only claim not more than 20% of the eligible ITC available in the GSTR-2A as provisional ITC. This means that the amount of ITC reported in the GSTR-3B from 9 October 2019 will be the total of the actual ITC in GSTR-2A and the provisional ITC being 20% of the actual eligible ITC in the GSTR-2A. Hence, matching of the purchase register or expense ledger with the GSTR-2A becomes crucial.

Q.10 Define Reversal of Input Tax Credit under GST?

ITC can be availed only on goods and services for business purposes. If they are used for non-business (personal) purposes, or for making exempt supplies ITC cannot be claimed . Apart from these, there are certain other situations where ITC will be reversed.

ITC will be reversed in the following cases-

1) Non-payment of invoices in 180 days– ITC will be reversed for invoices which were not paid within 180 days of issue.

2) Credit note issued to ISD by seller– This is for ISD. If a credit note was issued by the seller to the HO then the ITC subsequently reduced will be reversed.

3) Inputs partly for business purpose and partly for exempted supplies or for personal use – This is for businesses which use inputs for both business and non-business (personal) purpose. ITC used in the portion of input goods/services used for the personal purpose must be reversed proportionately.

4) Capital goods partly for business and partly for exempted supplies or for personal use – This is similar to above except that it concerns capital goods.

5) ITC reversed is less than required- This is calculated after the annual return is furnished. If total ITC on inputs of exempted/non-business purpose is more than the ITC actually reversed during the year then the difference amount will be added to output liability. Interest will be applicable.

Reconciliation of ITC

ITC claimed by the person has to match with the details specified by his supplier in his GST return. In case of any mismatch, the supplier and recipient would be communicated regarding discrepancies after the filling of GSTR-3B. Learn how to go about reconciliation through our article on GSTR-2A Reconciliation. Please read our article on the detailed explanation of the reasons for mismatch of ITC and procedure to be followed to apply for re-claim of ITC.

Documents Required for Claiming ITC

The following documents are required for claiming ITC:

1. Invoice issued by the supplier of goods/services

2. The debit note issued by the supplier to the recipient (if any)

3. Bill of entry

4. An invoice issued under certain circumstances like the bill of supply issued instead of tax invoice if the amount is less than Rs 200 or in situations where the reverse charge is applicable as per GST law.

5. An invoice or credit note issued by the Input Service Distributor (ISD) as per the invoice rules under GST.

6. A bill of supply issued by the supplier of goods and services or both.

Q.11 **what is GST Return?What are the different types of GST Returns?**

A return is a document containing details of income which a taxpayer is required to file with the tax administrative authorities. This is used by tax authorities to calculate tax liability.

Under GST, a registered dealer has to file GST returns that include:

- Purchases
- Sales
- Output GST (On sales)
- Input tax credit (GST paid on purchases)

To file GST returns, GST compliant sales and purchase invoices are required. You can generate GST compliant invoices for free on Clear Tax Bill Book.

Who should file GST Returns?
In the GST regime, any regular business has to file two monthly returns and one annual return. This amounts to 26 returns in a year.
The beauty of the system is that one has to manually enter details of one monthly return – GSTR-1. The other return GSTR 3B will get auto-populated by deriving information from GSTR-1 filed by you and your vendors.
There are separate returns required to be filed by special cases such as composition dealers.

The different types of GST Returns :-
Here is a list of all the returns to be filed as prescribed under the GST Law along with the due dates.

As per the CGST Act subject to changes by CBIC Notifications

Return Form	Particulars	Frequency	Due Date
GSTR-1	Details of outward supplies of taxable goods and/or services affected	Monthly	11th* of the next month with effect from October 2018 *Previously, the due date was 10th
GSTR-2 **Suspended**	Details of inward supplies of taxable goods and/or services affected claiming the input tax credit.	Monthly	15th of the next month
GSTR-3 **Suspended**	Monthly return on the basis of finalization of details of outward supplies and inward supplies along with the payment of tax.	Monthly	20th of the next month
GSTR-3B	Simple Return in which summary of outward supplies along with Input Tax Credit is declared and payment of tax is affected by taxpayer	Monthly	20th of the next month
GSTR-4	Return for a taxpayer registered under the composition levy	Quarterly	18th of the month succeeding quarter
GSTR-5	Return for a Non-Resident foreign taxable person	Monthly	20th of the next month

Q.12 **what is TCS under GST?Who is liable to collect TCS under GST?**

Tax Collected at Source (TCS) under GST means the tax collected by an e-commerce operator from the consideration received by it on behalf of the supplier of goods, or services who makes supplies through operator's online platform. TCS will be charged as a percentage on the net taxable supplies.

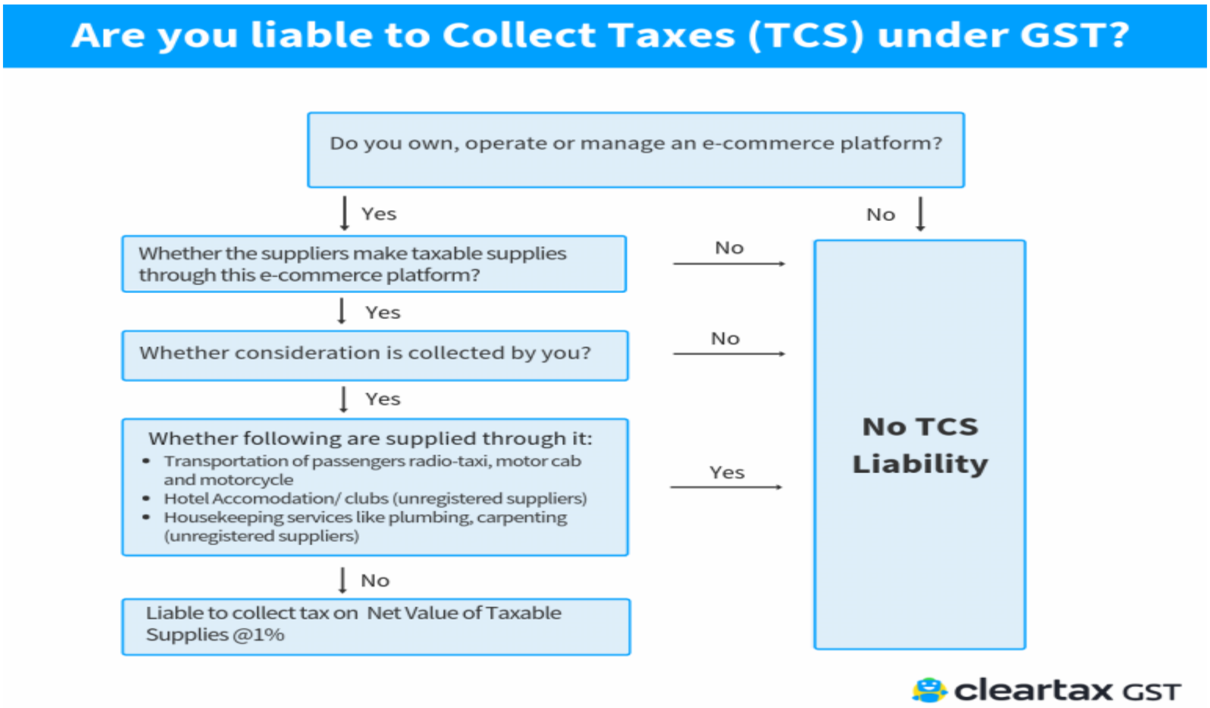
Certain operators who own, operate and manage e-commerce platforms are liable to collect TCS. TCS applies only if the operators collect the consideration from the customers on behalf of vendors or suppliers. In other words, when the e-commerce operators pay the consideration collected to the vendors they have to deduct an amount as TCS and pay the net amount.

Here are few exceptions to the TCS provisions for the services provided by an e-commerce platform:

a. Hotel accommodation/clubs (unregistered suppliers)

b. Transportation of passengers – radio taxi, motor cab or motorcycle

c. Housekeeping services like plumbing, carpentry etc. (unregistered suppliers)



For eg – M/s XYZ stores (a proprietorship) is selling garments through Flipkart. Flipkart, being an e-commerce operator, before it makes the payment of consideration collected on behalf of XYZ, will be liable to deduct TCS.

Q.13 what is Demand and Recovery under GST?

The Goods and Service Tax is payable on a self-assessment basis. If the assessee pays the tax on self-assessment correctly then there will not be any problem. If there is any short payment or wrong utilization of input credit, then the GST authorities will initiate demand and recovery provisions against the assessee.

Overview of Demand & Recovery Provisions

Particulars	When there is NO fraud (Section 73)	When there is fraud (Section 74)	Comments
Show Cause Notice	Yes	Yes	
Max time limit	3 years	5 years	From the due date for filing of annual return for the year to which the amount relates
Time limit for SCN	3 months before 3 years	6 months before 5 years	3 years/5 years is the maximum time limit for issuing order of payment
Penalty	10% of tax	25% of tax	

1. Notice when there is No Fraud for tax shortfall (Section 73)

This section applies to non-fraud cases when:

- Tax is unpaid/short paid or,
- Refund is wrongly made or,
- Input tax credit has been wrongly availed/utilized

——for any reason, other than fraud etc. i.e., there is no motive to evade tax.

The proper officer (i.e., GST authorities) will serve a show cause notice on the taxpayer. They will be required to pay the amount due, along with interest and penalty.

Time Limit

The proper officer is required to issue the show cause notice **3 months** before the time limit. The maximum time limit for the order of payment is **3 years** from the due date for filing of annual return for the year to which the amount relates.

For Other Tax Periods

Once the above notice has been issued, the proper officer can serve a **statement**, with details of any unpaid tax/wrong refund etc. for other periods not covered in the notice. A separate notice does not have to be issued for each tax period.

Voluntary Tax Payment

A person can pay tax along with interest, based on his own calculations (or the officer's calculations), **before the notice/statement** is issued and inform the officer in writing of the same. The officer will not issue any notice in this case.

However, if the officer finds that there is short payment, they can issue a notice for the balance amount.

No Penalty

If the taxpayer pays all their dues **within 30 days from date of notice**, then the penalty will not be applicable. All proceedings regarding the notice will be closed.

Penalty in Other Cases

The tax officer will consider the taxpayer's representation and then calculate interest and penalty. Penalty will be 10% of tax subject to a minimum of Rs. 10,000. The tax officer will issue an order within three years from the due date for filing of relevant annual return.

Paid all dues-	Penalty amount
Before notice	No penalty
Within 30 days **from notice**	No penalty
After 30 days from SCN or issue of order	10% penalty

Penalty summary for non-fraud cases

Let us understand how penalty works in non-fraud cases with this instance of a taxpayer who did not deposit their tax for a particular month:

Example-

Tax Period when he did not deposit the tax

- Amount relates to Oct 2017, ie, FY 2017- 2018

Due date for filing of annual return for the year to which the amount relates

- Last date of filing annual return of FY 2017-18= 31st Dec 2018

Maximum time limit for order = 3 years from due date annual return

- 3 years from above= 31st Dec 2021

Issue ORDER within 3 years

- Last date for issuing order= 31st Dec 2021

Issue SCN 3months before the time limit

- Last date of issuing notice= 30th Sep 2021

2. Notice when there is Fraud for tax shortfall (Section 74)

This section applies to cases of tax evasion involving:

- **Fraud**
- **willful misstatement**
- **Suppression of facts**

This results in:

- unpaid/short paid tax or,
- wrong refunds or,
- wrongly availed/utilized input tax credit

In such cases, the proper officer will **serve a show cause notice** to the taxpayer. They will be required to pay the amount due along with interest and penalty.

Time Limit

For cases of fraud, the proper officer is required to issue the notice **6 months** before the time limit. The maximum time limit is **5 years** from the due date for filing of annual return for the year to which the amount relates.

For Other Tax Periods

Once the above notice has been issued, the proper officer can serve a **statement**, with details of any unpaid tax/wrong refund etc. for other periods not covered in the notice. A separate notice does not have to be issued for each tax period.

Voluntary Tax Payment

If the person pays tax along with interest and a 15% penalty based on their own calculations (or the officer's calculations) **before** the notice/statement is issued and informs the officer in writing, then the officer will not issue any notice.

However, if the officer finds that there is short payment, they can issue a notice for the balance amount.

If the taxpayer pays all their dues and a penalty of 25% within 30 days from the date of the **notice,** then all proceedings regarding the notice will be closed.

Issue of Order

The tax officer will consider the taxpayer's representation and then calculate interest and penalty and issue an order.

The order must be issued within **five years** from the due date for filing of the relevant annual return. [For wrong refunds the order must be issued within five years from the date of the wrong refund].

If the taxpayer pays all their dues and a penalty of 50% within 30 days from the date of order, then all proceedings (including prosecution) regarding the notice will be closed.

Paid all dues-	Penalty amount
Before notice	15% of tax
Within 30 days from notice	25% of tax
After 30 days from order	50% of tax
For other cases (section 122)	100% of tax

Example-

Let us understand how penalty works in fraudulent cases with this instance of a taxpayer who did not deposit their tax for a particular month:

Tax Period when he did not deposit the tax

- Amount relates to Oct 2017, ie, FY 2017- 2018

Due date for filing of annual return for the year to which the amount relates

- Last date of filing annual return of FY 2017-18= 31st Dec 2018

Maximum time limit for order = 5 years from due date annual return

- 5 years from above= 31st Dec 2023

Issue **ORDER** within **5 years**

- Last date for issuing order= 31st Dec 2023

Issue **SCN 6 months** before the time limit

- Last date of issuing notice= 30th Sep 2023

Q.14 what is advance ruling? Why is advance ruling under GST necessary?

Any advance tax ruling is a written interpretation of tax laws. It is issued by tax authorities to corporations and individuals who request for clarification of certain tax matters. An advance ruling is often requested when the taxpayer is confused and uncertain about certain provisions. Advance tax ruling is applied for: **before starting the proposed activity.**

For example, under income tax, advance ruling is available in international taxation. This is to help non-residents ascertain the income-tax liability, plan their income-tax in advance and avoid long drawn and costly legal disputes.

As per GST, the advance ruling is a written decision given by the tax authorities to an applicant on questions relating to the supply of goods/services.

Advance ruling under GST

The objective of any advance ruling, including under GST is to-

1. Provide certainty for tax liability in advance in relation to a future activity to be undertaken by the applicant
2. Attract Foreign Direct Investment (FDI) – By clarifying taxation and showing a clear picture of the future tax liability of the FDI. The clarity and clean taxation will attract non-residents who do not want to get involved in messy tax disputes.
3. Reduce litigation and costly legal disputes
4. Give decisions in a timely, transparent and inexpensive manner.

Q.15what is an appeal? What are disputes?

Any appeal under any law is an application to a higher court for a reversal of the decision of a lower court. Appeals arise when there are any legal disputes.

Disputes

Tax laws (or any law) impose obligations. Such obligations are broadly of two kinds: tax-related and procedure-related. The taxpayer's compliance with these obligations is verified by the tax officer (through audit, anti-evasion, examining etc.). Sometimes there are situations of actual or perceived non-compliance. If the difference in views persists, it results into a dispute, which is then required to be resolved.

The initial resolution of this dispute is done by a departmental officer by a quasi-judicial process resulting into the issue of an initial order known by various names -assessment order, adjudication order, order-in-original, etc.

GST Act defines the phrase "adjudicating authority" as any authority competent to pass any order or decision under this Act, but does not include the Board, the First Appellate Authority and the Appellate Tribunal. Thus, in a way, any decision or order passed under the Act is an act of "adjudication".

Some examples are: - <u>cancellation of registration</u>, <u>best judgment assessment</u>, <u>decision on a refund claim</u>, <u>and imposition of a penalty</u>.

Steps of appeals under GST

Appeal level	Orders passed by….	Appeal to ——-	Sections of Act
1st	Adjudicating Authority	First Appellate Authority	107
2nd	First Appellate Authority	Appellate Tribunal	109,110
3rd	Appellate Tribunal	High Court	111-116
4th	High Court	Supreme Court	117-118

Should every appeal be made to both CGST & SGST authorities?

No. As per the GST Act, CGST & SGST/UTGST officers are both empowered to pass orders. As per the Act, an order passed under CGST will also be deemed to apply to SGST. However, if an officer under CGST has passed an order, any appeal/review/revision/rectification against the order will lie only with the officers of CGST. Similarly, for SGST, for any order passed by the SGST officer the appeal/review/revision/rectification will lie with the proper officer of SGST only.

Q.16 what is an audit under GST?

Audit under GST is the process of examination of records, returns and other documents maintained by a taxable person. The purpose is to verify the correctness of turnover declared, taxes paid, refund claimed and input tax credit availed, and to assess the compliance with the provisions of GST.

Threshold for Audit

Every registered taxable person whose turnover during a financial year exceeds the prescribed limit [as per the latest GST Rules, the turnover limit is above Rs 2 crore] shall get his accounts audited by a chartered accountant or a cost accountant. He shall electronically file:

1. An annual return using the Form GSTR 9 by 31st December of the next Financial Year* ,
2. The audited copy of the annual accounts,
3. A certified reconciliation statement in the form GSTR-9C, reconciling the value of supplies declared in the return with the audited annual financial statement,
4. And other particulars as prescribed.

Audit by Tax Authorities

- The Commissioner of CGST/SGST (or any officer authorized by him) may conduct an audit of a taxpayer. The frequency and manner of an audit will be prescribed later.
- A notice will be sent to the audited at least 15 days before.
- The audit will be completed within 3 months from the date of commencement of the audit.
- The Commissioner can extend the audit period for a further six months with reasons recorded in writing.

Obligations of the Auditee

The taxable person will be required to:

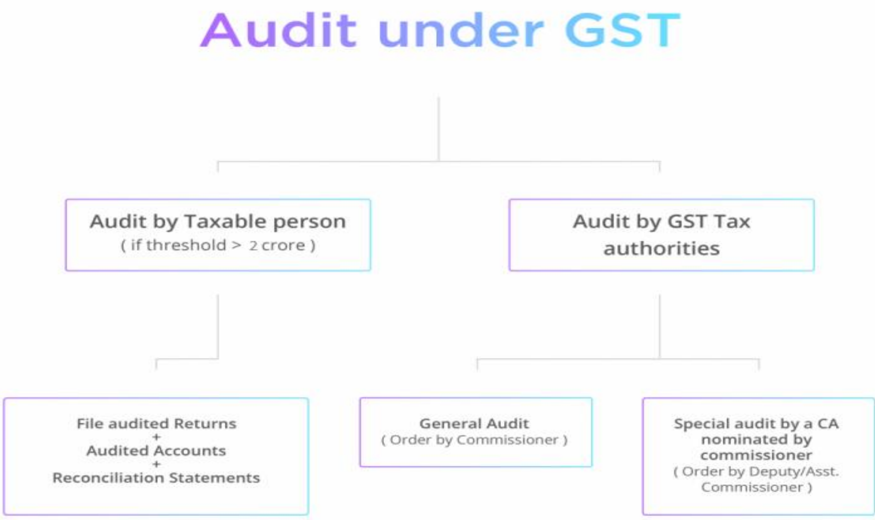
1. provide the necessary facility to verify the books of account/other documents as required
2. to give information and assistance for timely completion of the audit.

Findings of Audit

On conclusion of an audit, the officer will inform the taxable person within 30 days of:

- the findings,
- their reasons, and
- the taxable person’s rights and obligations

If the audit results in detection of unpaid/short paid tax or wrong refund or wrong input tax credit availed, then demand and recovery actions will be initiated.



Q.17 Defines **OFFENCES under GST?**

The GST Act specifies 21 separate offences that can attract penalties under GST regime. There are of course offences that, though not part of the list, carry GST penalties that are decided on a case by case basis. The following is the list along with key details of these 21 GST offences:

GST Offences related to Invoicing and Documentation

- Issuing false/incorrect invoice or not issuing invoice for goods/services that have been supplied
- Issue of GST invoice without actual supply of goods/services
- Issue of invoice/document using GSTIN of a different GST registered person/entity
- Transport of taxable goods without adequate/correct documentation
- Failure to maintain relevant documents/records in line with requirements of the GST Act

GST Offences related to Fraudulent Intent

- Submission of false information at the time of GST registration or at a later date
- Obtaining GST refund by supplying fraudulent information
- Falsification of documents/records or providing false information with the intent of tax evasion
- Not registering under GST even though required to do so under GST Act

- Tampering with/disposing of goods that have been attached, seized or detained under GST Act.
- Knowingly supplying, transporting or storing any goods that are liable to be confiscated as per GST rules.

GST Offences related to Tax Evasion

- Under reporting/suppressing turnover resulting in tax evasion
- Failure to pay tax to the government within three months of due date after collecting the tax from receiver of goods/services
- Failure to pay tax to the government within three months of due date even though such tax has been collected in contravention of provisions specified by the GST Act
- Taking or utilizing Input Tax Credit (ITC) without actual receipt/supply of goods or services
- Failure to deduct tax, deducting tax amount less than the actual amount deducted or not paying the tax owed to the government (Tax liability under subsection 2 of Section 52 of GST Act)
- Failure to deduct tax, deducting tax amount less than the actual amount deducted or not paying the tax owed to the government (Tax liability under subsection 3 of Section 52 of GST Act)
- Taking/utilizing input tax credit in breach of Section 20 and its sub-sections under the GST Act

GST Offences related to Obstruction

- Obstructing/preventing any officer from discharging his/her duties as per the GST Act
- Destroying/tampering with documents or material evidence
- Providing false documents or failure to furnish documents/information demanded by an officer acting with authority provided by the GST Act

Q.18what is GST refund?How to calculate GST refund?

Usually when the GST paid is more than the GST liability a situation of claiming GST refund arises. Under GST the process of claiming a refund is standardized to avoid confusion. The process is online and time limits have also been set for the same.

. When can the refund be claimed

There are many cases where refund can be claimed. Here are some of them –

Excess payment of tax is made due to mistake or omission.

- Dealer Exports (including deemed export) goods/services under claim of rebate or Refund
- ITC accumulation due to output being tax exempt or nil-rated
- Refund of tax paid on purchases made by Embassies or UN bodies

- Tax Refund for International Tourists
- Finalization of provisional assessment

To calculate GST refund

Let's take a simple case of excess tax payment made.

Mr. B's GST liability for the month of September is Rs 50000. But due to mistake, Mr. B made a GST payment of Rs 5 lakh.

Now Mr. B has made an excess GST payment of Rs 4.5 lakh which can be claimed as a refund by him. The time limit for claiming the refund is 2 years from the date of payment.

The time limit for claiming the refund

The time limit for claiming a refund is 2 years from relevant date.

The relevant date is different in every case.

Here are the relevant dates for some cases –

Reason for claiming GST Refund	**Relevant Date**
Excess payment of GST	Date of payment
Export or deemed export of goods or services	Date of dispatch/loading/passing the frontier
ITC accumulates as output is tax exempt or nil-rated	Last date of financial year to which the credit belongs
Finalization of provisional assessment	Date on which tax is adjusted

Also if refund is paid with delay an interest of 24% p.a. is payable by the government.

Q.19 who is a GST Practitioner? And its benefits and eligibility?

GST Practitioner is a kind of consultant who provides services to other taxpayers through online mode. A GST Practitioner must be registered on GSTN Portal and must have gained a certificate by going through an application procedure before he can start his or her practice.

Benefits of being a GST Practitioner:

Below are mentioned GST Practitioner Benefits. Once certified, a GST Practitioners can perform below mentioned activities on GSTN Portal-

• He can view complete list of taxpayers who are engaged in your account.

• He can furnish details of inward and outward supplies.

• He can furnish the monthly, quarterly, and annual return on behalf his taxpayer client.

• He can make a deposit for credit into the electronic cash ledger.

• He can file an application for his claim for refund.

• He can even file an application for amendments or cancellation of his registration.

• He is also enabled to make changes in the profile of his taxpayer client like place of his business, his contact details, his other business information. However, a GST practitioner can only save such information and cannot submit it. He must tell his client to submit the information as he has furnished it.

• He can also help his client to generate an e-waybill for various movement of his goods.

• He is also able to help his client in issuance of tax invoices, delivery challan, a procedure for GST registration, cancellation, and any GST Updates.

• He is enabled to accept or reject the application as a consultant from fellow taxpayer.

GST Practitioner Eligibility:

As per Rule 24 and 25 of Return Rules, have defined complete set of rules for eligibility conditions for GST practitioner qualification, his duties and obligations, and manner of his removal and other conditions of his functioning.

Prime criteria of eligibility for a GST Practitioner Qualification is as below-

• Primarily, he must be a citizen of India.

• He must possess a sound mind.

• He must be an individual who is not adjudged as insolvent.

• He must not have been convicted at any time by a competent court for any offense which may have resulted into his imprisonment for more than two years of period.

GST Practitioner qualification requirements are-
He must be a graduate or post graduate or must possess an equivalent degree in commerce, law, banking, business administration, business management for any recognized Indian University which is approved by law.
Or
He must possess an equivalent degree from a foreign university which is recognized by an Indian University.

He must also possess a clearance through an examination that have been conducted by the government of India through a recommended council.

He must also possess a degree from an Indian University or a Foreign University which is equivalent to degree examination, which may include one of below examinations-

1. Finals of Institute of Chartered Accountants of India

2. Finals of Institute of Cost Accountants of India

3. Finals of Institute of Company Secretaries of India.

Q.20 Define Appeals Process under GST Act.

In case a GST registered person/entity is unhappy with any GST penalties related order/decision passed by tax authority/official acting as an adjudicating authority under the GST Act, there is an appeals process that has been specified. The appeals process under GST Act operates in the same manner irrespective of the type of offence or the GST penalties (monetary or otherwise) that is applicable in case of the specific offence. The following are the different levels of appeal available:

First Appellate Authority

The first appellate authority is the first court of appeal available to those seeking redress against an order passed by the adjudicating authority.

Appellate Tribunal

The GST appellate tribunal is a quasi-judicial body that was formed in order to mediate disputes and to hear appeals against orders of the first appellate authority.

Appeal to High Court

State level high courts are the next court of appeal for those contesting a verdict announced by the appellate tribunal.

Appeal to Supreme Court

India’s apex court, the Supreme Court is the final court of appeal for contesting any GST penalties or other tax order. The judgments passed by the Supreme Court on any GST penalties, jail sentences or fines is final under existing GST rules.

SUBJECT – ECOMMERCE.

CODE- BCOM 306

Unit 1.

Q1. What is the Nature and Scope of Ecommerce?

Electronic commerce, normally known as ecommerce, is the purchasing and selling of product or administration over electronic frameworks, for example, the Internet and other PC systems. Electronic commerce draws on such innovations as electronic funds transfer, supply chain management, Internet marketing, online exchange preparing, Electronic Data Interchange (EDI), inventory frameworks, and computerized information assortment frameworks. Present-day electronic commerce normally utilizes the World Wide Web in any event at one point in the exchange's life-cycle, despite the fact that it might include a more extensive scope of advancements, for example, email, cell phones and phones too.

Electronic commerce is by and large viewed as the business part of e-business. It likewise comprises the trading of information to encourage the financing and installment parts of business exchanges. Indeed, even today, some significant time after the dot com, electronic commerce (e-commerce) stays a moderately new, rising and always changing region of business the executives and information technology. There has been and keeps on being a lot of exposure and talks about ecommerce. Library lists and retires are loaded up with books and articles regarding the matter. Be that as it may, there stays a feeling of perplexity, doubt and misjudging encompassing the territory, which has been exacerbated by the various settings wherein electronic business is utilized, combined with the bunch related popular expressions and abbreviations.

In the rising worldwide economy, online business and e-business have progressively become a fundamental part of the business technique and a solid impetus for monetary advancement. The coordination of Information and Communications Technology (ICT) in business has changed connections inside associations and those between and among associations and people. In particular, the utilization of ICT in business has upgraded profitability, empowered more prominent client cooperation, and empowered mass customization, other than lessening costs.

The name of the game is vital positioning, the capacity of an organization to decide developing chances and use the important human capital abilities to benefit as much as possible from these open doors through an e-business procedure that is basic, functional and practicable inside the setting of a worldwide data milieu and new financial condition. With its impact of making everything fair, ecommerce combined with the fitting system and arrangement approach empowers little and medium scale ventures to rival huge and capital-rich organizations.

On another plane, developing nations are given expanded access to the worldwide commercial center, where they contend with and supplement the more developed economies. Most, if not every, developing nations are now taking an interest in ecommerce, either as vendors or purchasers. In any case, to encourage online business development in these nations, the generally immature data foundation must be improved.

E COMMERCE ADVANTAGES AND DISADVANTAGES

Advantages of eCommerce

There are many obvious and not-so-obvious pros to doing business online. Understanding exactly what they are can help you leverage them to your advantage:

1. A Larger Market

eCommerce allows you to reach customers all over the country and around the world. Your customers can make a purchase anywhere and anytime, especially more people are getting used to shopping on their mobile devices.

2. Customer Insights Through Tracking And Analytics

Whether you're sending visitors to your eCommerce website through SEO, PPC ads or a good old postcard, there is a way to track your traffic and customers' entire user journey to get insights into keywords, user experience, marketing message, pricing strategy, and more.

3. Fast Response To Consumer Trends And Market Demand

The streamlined logistics, especially for merchants who do "drop ship," allow businesses to respond to market and eCommerce trends and consumer demands in a nimble manner. Merchants can also create promotions and deals on the fly to attract customers and generate more sales.

4. Lower Cost

With the advance in eCommerce platform technologies, it has become very easy and affordable to set up and maintain an eCommerce store with a low overhead. Merchants no longer have to spend a large budget on TV ads or billboard, nor worry about the expense for personnel and real estate.

5. More Opportunities To "Sell"

Merchants can only provide a limited amount of information on a product in a physical store. On the other hand, eCommerce websites allow the space to include more information such as demo videos, reviews, and customer testimonials to help increase conversion.

6. Personalized Messaging

eCommerce platforms give merchants the opportunity to serve up personalized content and product recommendations to registered customers. These targeted communications can help increase conversion by showing the most relevant content to each visitor.

7. Increased Sales With Instant Gratification

For businesses that sell digital goods, eCommerce allows the delivery of products within seconds of making a purchase. This satisfies consumers' need for instant gratification and helps increase sales, especially for low-cost items that are often "impulse buys."

8. Ability to Scale Up (Or Down) Quickly And Unlimited "Shelf Space"

The growth of an online business is not limited by the availability of physical space. Even though logistics can become an issue as one grows, it's less of a challenge compared to those for running a brick-and-mortar store. eCommerce merchants can scale up or down their operation quickly, and take advantage of the unlimited "shelf space," as a response to market trend and consumer demands.

Disadvantages of eCommerce

Running an eCommerce business is not all rainbows and unicorns. There are challenges unique to this business model -- knowing them will help you navigate the choppy waters and avoid common pitfalls:

1. Lack Of Personal Touch

Some consumers value the personal touch they get from visiting a physical store and interacting with sales associates. Such personal touch is particularly important for businesses selling high-end products as customers not only want to buy the merchandise but also have a great experience during the process.

2. Lack Of Tactile Experience

No matter how well a video is made, consumers still can't touch and feel a product. Not to mention, it's not an easy feat to deliver a brand experience, which could often include the sense of touch, smell, taste, and sound, through the two-dimensionality of a screen.

3. Price And Product Comparison

With online shopping, consumers can compare many products and find the lowest price. This forces many merchants to compete on price and reduce their profit margin.

4. Need For Internet Access

This is pretty obvious, but don't forget that your customers do need Internet access before they can purchase from you! Since many eCommerce platforms have features and functionalities that require high-speed Internet access for an optimal customer experience, there's a chance you're excluding visitors who have slow connections.

5. Credit Card Fraud

Credit card fraud is a real and growing problem for online businesses. It can lead to chargebacks that result in the loss of revenue, penalties, and bad reputation.

6. IT Security Issues

More and more businesses and organizations have fallen prey to malicious hackers who have stolen customer information from their database. Not only could this have legal and financial implications but also lessen the trust customers have in the company.

7. All the Eggs In One Basket

eCommerce businesses rely heavily (or solely) on their websites. Even just a few minutes of downtime or technology hiccups can cause a substantial loss of revenue and customer dissatisfaction.

8. Complexity In Taxation, Regulations, and Compliance

If an online business sells to customers in different territories, they'll have to adhere to regulations not only in their own states/countries but also in their customers' place of residence. This could create a lot of complexities in accounting, compliance, and taxation.

Q2. What are the top Reasons Consumers Prefer Online Payments?

Consumers are accustomed to being instantly connected — to information, to entertainment, to one another via text message and social media, and to items they want to buy. With this expectation that nearly every need can be immediately solved with the help of technology, it's not wonder that they've become so privy to online payments — and the businesses that accept them.

Here's a look at the top reasons people prefer online payments:

1) They eliminate geographical boundaries. When a person travels to a different country or continent, they have to adapt what's in their wallet. This may include exchanging currency, and even using a different credit card than they would typically use. Online payments eliminate the obstacles to participating in a global marketplace.

Many payment processors equip businesses to accept a range of different currencies, automatically calculate the proper exchange rate based on the type of currency — and even adapt the language and information prompted in checkout forms to accommodate the different languages buyers might speak, based on the currency used.

2) They've never been more convenient. Payment technology has evolved to the point that consumers can complete an online payment even if they don't have a card or physical wallet on hand. In addition to the increasing popularity of mobile wallets, like Apple Pay, research by Javelin Strategy indicates that simpler forms of alternative funding (think PayPal or BillMeLater) remain well received by online consumers. In fact, more than 80 percent of respondents to Javelin's study said they'd used one of these card-free payment tools in the last year to make an online payment.

3) They give consumers more time. Online payments aren't just convenient in the sense of transaction speed — they eliminate the need for consumers to travel to a store, invest their time, and wait in line to pay. Studies on the psychological impact of waiting in line reveal just how precious time is to consumers: They tend to overestimate how much waiting will deplete their time by nearly 40 percent. Whether the amount of time a customer loses from waiting in line is real or imagined, perception is reality: Online payments deliver a tangible benefit, simply by offering the buyer a choice of how to spend their time.

4) They provide an additional layer of purchase protection. Buying from a small business, whether in person or online, requires that customers establish some degree of trust with a merchant with whom they may have no previous experience. Regardless of how clearly a business communicates its return, exchange, and customer satisfaction policies, there may be a sense of hesitancy for consumers. Online payments can overcome this obstacle. When online payments are made using a credit card that guarantees the lowest price for a stated number of days, extends manufacturer warranties, and offers a cardholder the right to dispute a purchase, for example, the customer has peace of mind that they will be protected, regardless of the merchant's policy.

5) They replicate their existing financial habits. Online banking has become a tool that more than half of Americans rely on to transfer funds, pay bills, and track their budgets, according to Pew Research Center. Online payments replicate the financial habits and behaviors that have become the "new normal" for so many consumers.

6) They provide cost-free benefits. In addition to all of the benefits customers can gain from online payments, they cost consumers nothing in return. In a world where so few things are free, online payments offer consumers a value-added convenience, with no additional investment required. Though businesses may incur a small fee for accepting credit cards, the fact that consumers are given the option to pay in the means they prefer will likely negate the nominal fee that's involved in the transaction.

Online payments give consumers the hassle-free experience they want at no cost —and plenty of timesaving benefits. In tandem, they provide small businesses that accept them with the operational efficiencies they need to meet (and hopefully exceed) customer expectations.

Q3. <u>What are the different categories of e-commerce?</u>

Generally speaking, when most people think of e-commerce, they think of the purchase of goods or services by use of the internet. However, there is a more specific way to refer to the type of online transaction by the means of mentioning which e-commerce category the transfer falls under. There are six basic types of e-commerce — Business-to-Business (B2B), Business-to-Consumer (B2C), Consumer-to-Consumer (C2C), Consumer-to-Business (C2B), Business-to-Administration (B2A) and Consumer-to-Administration (C2A) — and all of them represent a different purchasing dynamic.

BUSINESS-TO-BUSINESS (B2B)

B2B e-commerce refers to all electronic transactions of goods and sales that are conducted between two companies. This type of e-commerce typically explains the relationship between the producers of a product and the wholesalers who advertise the product for purchase to consumers. Sometimes this allows wholesalers to stay ahead of their competition.

BUSINESS-TO-CONSUMER (B2C)

Perhaps the most common form of e-commerce, B2C e-commerce deals with electronic business relationships between businesses and consumers. Many people enjoy this avenue of e-commerce because it allows them to shop around for the best prices, read customer reviews and often find different products that they wouldn't otherwise be exposed to in the retail world. This e-commerce category also enables businesses to develop a more personalized relationship with their customers.

CONSUMER-TO-CONSUMER (C2C)

This level of e-commerce encompasses all electronic transactions that take place between consumers. Generally, these transactions are provided by online platforms (such as PayPal), but often are conducted through the use of social media networks (Facebook marketplace) and websites (Craigslist).

CONSUMER-TO-BUSINESS (C2B)

Not the most traditional form of e-commerce, C2B e-commerce is when a consumer makes their services or products available for companies to purchase. An example of this would be a graphic designer customizing a company logo or a photographer taking photos for an e-commerce website.

BUSINESS-TO-ADMINISTRATION (B2A)

This e-commerce category refers to all transactions between companies and public administration. This is an area that involves many services, particularly in areas such as social security, employment and legal documents.

CONSUMER-TO-ADMINISTRATION (C2A)

Another popular e-commerce category, C2A e-commerce encompasses all electronic transactions between individuals and public administration. Examples of this include taxes (filing tax returns) and health (scheduling an appointment using an online service.

E-Commerce - Business Models

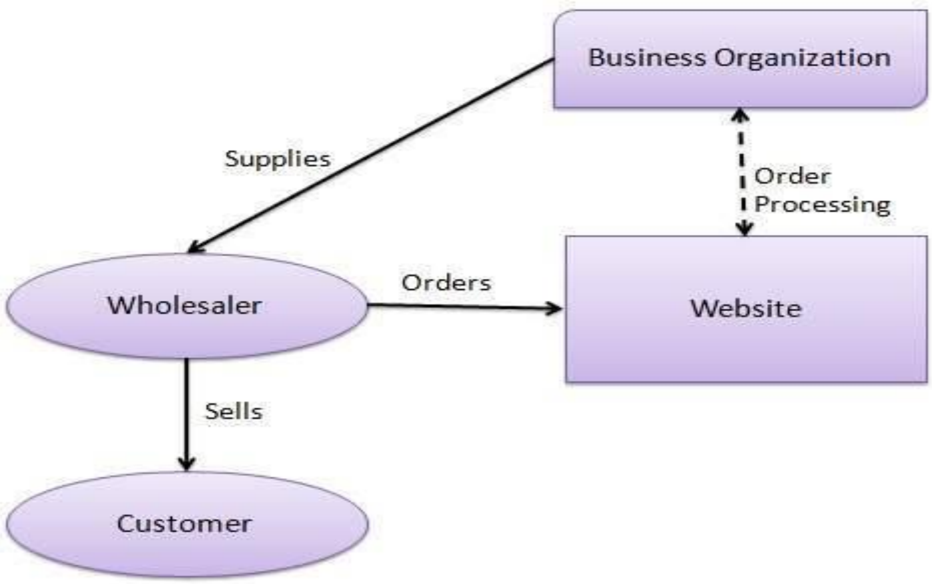
E-commerce business models can generally be categorized into the following categories.

- Business - to - Business (B2B)
- Business - to - Consumer (B2C)
- Consumer - to - Consumer (C2C)
- Consumer - to - Business (C2B)
- Business - to - Government (B2G)
- Government - to - Business (G2B)

- Government - to - Citizen (G2C)

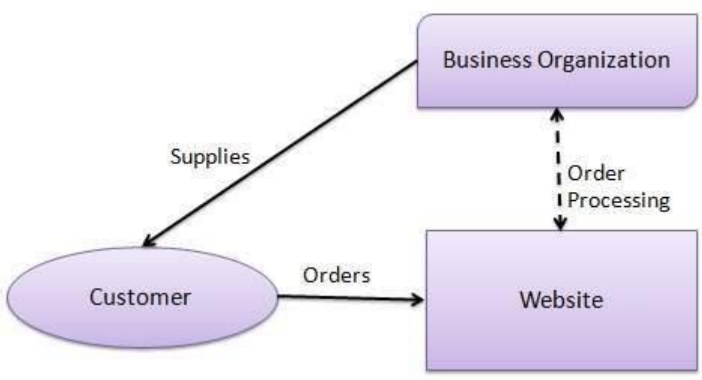
Business - to - Business

A website following the B2B business model sells its products to an intermediate buyer who then sells the product to the final customer. As an example, a wholesaler places an order from a company's website and after receiving the consignment, sells the endproduct to the final customer who comes to buy the product at one of its retail outlets.



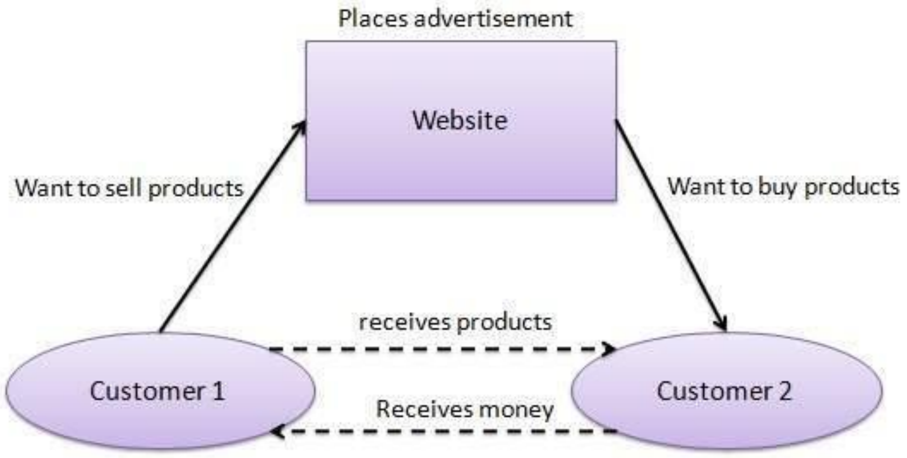
Business - to - Consumer

A website following the B2C business model sells its products directly to a customer. A customer can view the products shown on the website. The customer can choose a product and order the same. The website will then send a notification to the business organization via email and the organization will dispatch the product/goods to the customer.



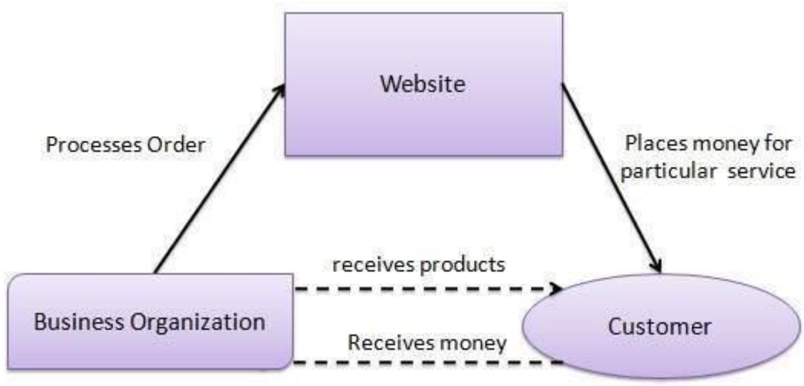
Consumer - to - Consumer

A website following the C2C business model helps consumers to sell their assets like residential property, cars, motorcycles, etc., or rent a room by publishing their information on the website. Website may or may not charge the consumer for its services. Another consumer may opt to buy the product of the first customer by viewing the post/advertisement on the website.



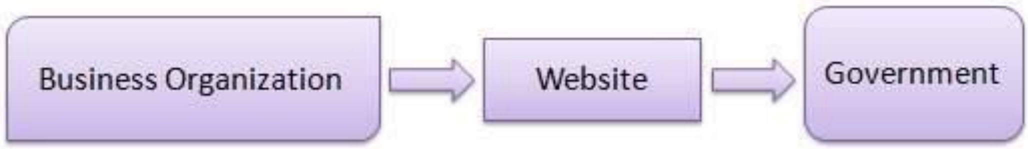
Consumer - to - Business

In this model, a consumer approaches a website showing multiple business organizations for a particular service. The consumer places an estimate of amount he/she wants to spend for a particular service. For example, the comparison of interest rates of personal loan/car loan provided by various banks via websites. A business organization who fulfills the consumer's requirement within the specified budget, approaches the customer and provides its services.



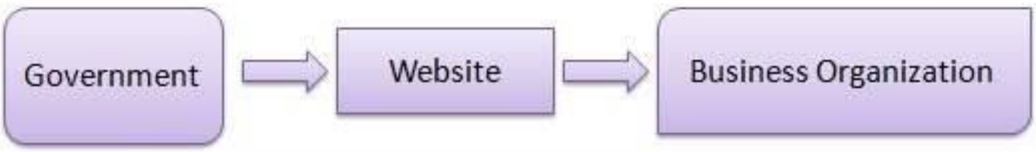
Business - to - Government

B2G model is a variant of B2B model. Such websites are used by governments to trade and exchange information with various business organizations. Such websites are accredited by the government and provide a medium to businesses to submit application forms to the government.



Government - to - Business

Governments use B2G model websites to approach business organizations. Such websites support auctions, tenders, and application submission functionalities.



Government - to - Citizen

Governments use G2C model websites to approach citizen in general. Such websites support auctions of vehicles, machinery, or any other material. Such website also provides services like registration for birth, marriage or death certificates. The main objective of G2C websites is to reduce the average time for fulfilling citizen’s requests for various government services.

Q4. Most Common Challenges Faced by eCommerce Businesses?

Most Common Challenges Faced by eCommerce Businesses

1. Finding the right products to sell

Shopping cart platforms like Shopify have eliminated many barriers of entry. Anyone can launch an online store within days and start selling all sorts of products.

Amazon is taking over the eCommerce world with their massive online product catalog. Their marketplace and fulfillment services have enabled sellers from all over the world to easily reach paying customers.

All of this has made it very difficult for retailers to source unique products unless you they decide to manufacture your own.

2. Attracting the perfect customer

Online shoppers don't shop the same way as they used to back in the day. They use Amazon to search for products (not just Google). They ask for recommendations on Social Media. They use their smartphones to read product reviews while in-store and pay for purchases using all sorts of payment methods.

Lots has changed including the way they consume content and communicate online. They get easily distracted with technology and social media.

Retailers must figure out where their audience is and how to attract them efficiently without killing their marketing budget.

3. Generating targeted traffic

Digital marketing channels are evolving. Retailers can no longer rely one type of channel to drive traffic to their online store.

They must effectively leverage SEO, PPC, email, social, display ads, retargeting, mobile, shopping engines and affiliates to help drive qualified traffic to their online store. They must be visible where their audience is paying attention.

4. Capturing quality leads

Online retailers are spending a significant amount of money driving traffic to their online store. With conversion rates ranging between 1% to 3%, they must put a lot of effort in generating leads in order to get the most out of their marketing efforts.

The money is in the list. Building an email subscribers list is key for long term success. Not only will help you communicate your message, but it will also allow you to prospect better using tools such as Facebook Custom Audiences.

Not all leads are created equally. Retailers must craft the right message for the right audience in order to convert them into leads with hopes of turning them into customers.

5. Nurturing the ideal prospects

Having a large email list is worthless if you're not actively engaging with subscribers.

A small percentage of your email list will actually convert into paying customers. Nonetheless, retailers must always deliver value with their email marketing efforts.

Online retailers put a lot of focus on communicating product offering as well as promotions, but prospects need more than that. Value and entertainment goes a long way but that requires more work.

6. Converting shoppers into paying customers

Driving quality traffic and nurturing leads is key if you want to close the sale. At a certain point, you need to convert those leads in order to pay for your marketing campaigns.

Retailers must constantly optimize their efforts in converting both email leads as well as website visitors into customers. Conversion optimization is a continuous process.

7. Retaining customers

Attracting new customers is more expensive than retaining the current ones you already have. Retailers must implement tactics to help them get the most out of their customer base in increase customer lifetime value.

8. Achieving profitable long-term growth

Increasing sales is one way to grow the business but in the end, what matters most is profitability. Online retailers must always find ways to cut inventory costs, improve marketing efficiency, reduce overhead, reduce shipping costs and control order returns.

9. Choosing the right technology & partners

Some online retailers may face growth challenges because their techonology is limiting them or they've hired the wrong partners/agencies to help them manage their projects.

Retailers wanting to achieve growth must be built on a good technology foundation. They must choose the right shopping cart solution, inventory management software, email software, CRM systems, analytics and so much more.

In addition, hiring the wrong partners or agencies to help you implement projects or oversee marketing campaigns may also limit your growth. Online retailers must choose carefully who to work with.

10. Attracting and hiring the right people to make it all happen

Let's face it, online retailers may have visions and aspirations but one true fact remains, they need the right people to help them carry out their desires.

Attracting the right talent is key in order to achieve desirable online growth. Also, having the right leader plays an even bigger role.

Retailers should be out there getting their name out within the online community by attending eCommerce conferences, speaking at events and networking. Employees want to work for companies that care about them and their future. Having a sense of purpose is key.

Q5. Explain the status of E-commerce Industry in India

E-commerce Industry in India

Introduction

The e-commerce has transformed the way business is done in India. The Indian e-commerce market is expected to grow to US$ 200 billion by 2026 from US$ 38.5 billion as of 2017. Much growth of the industry has been triggered by increasing internet and smartphone penetration. The ongoing digital transformation in the country is expected to increase India's total internet user base to 829 million by 2021 from 636.73 million in FY19. India's internet economy is expected to double from US$ 125 billion as of April 2017 to US$ 250 billion by 2020, majorly backed by ecommerce. India's E-commerce revenue is expected to jump from US$ 39 billion in 2017 to US$ 120 billion in 2020, growing at an annual rate of 51 per cent, the highest in the world.

Market Size

Propelled by rising smartphone penetration, the launch of 4G networks and increasing consumer wealth, the Indian e-commerce market is expected to grow to US$ 200 billion by 2026 from US$ 38.5 billion in 2017 Online retail sales in India are expected to grow by 31 per cent to touch US$ 32.70 billion in 2018, led by Flipkart, Amazon India and Paytm Mall.

During April-June quarter 2019, smartphone shipment in India grew 9.9 per cent year-on-year to 36.9 million shipments. It is expected to reach 160 million in 2019.

During 2018, electronics is currently the biggest contributor to online retail sales in India with a share of 48 per cent, followed closely by apparel at 29 per cent.

Investments/ Developments

Some of the major developments in the Indian e-commerce sector are as follows:

- In August 2019, Amazon acquired 49 per cent stake in a unit of Future Group.
- Reliance to invest Rs 20,0000 crore (US$ 2.86 billion) in its telecom business to expand its broadband and E-commerce presence and to offer 5G services.
- In September 2019, PhonePe launched super-app platform 'Switch' to provide a one stop solution for customers integrating several other merchants apps.
- In November 2019, Nykaa opened its 55th offline store marking success in tier II and tier III cities.
- Flipkart, after getting acquired by Walmart for US$ 16 billion, is expected to launch more offline retail stores in India to promote private labels in segments such as fashion and electronics. In September 2018, Flipkart acquired Israel based analytics start-up Upstream Commerce that will help the firm to price and position its products in an efficient way.
- As of March 2019, Flipkart launched its internal fund of about US$ 60-100 million to invest from early stage to seed innovations related to e-commerce industry.
- Paytm has launched its bank - Paytm Payment Bank. Paytm bank is India's first bank with zero charges on online transactions, no minimum balance requirement and free virtual debit card
- As of June 2018, Google is also planning to enter into the E-commerce space by November 2018. India is expected to be its first market.
- Reliance retail is going to launch online retail this year. It has already launched its food and grocery app for beta testing among its employees.
- E-commerce industry in India witnessed 21 private equity and venture capital deals worth US$ 2.1 billion in 2017 and 40 deals worth US$ 1,129 million in the first half of 2018.
- Google and Tata Trust have collaborated for the project ‘Internet Saathi’ to improve internet penetration among rural women in India.

Government initiatives

Since 2014, the Government of India has announced various initiatives namely, Digital India, Make in India, Start-up India, Skill India and Innovation Fund. The timely and effective implementation of such programs will likely support the e-commerce growth in the country.

Some of the major initiatives taken by the government to promote the e-commerce sector in India are as follows:

- Government e-Marketplace (GeM) signed a Memorandum of Understanding (MoU) with Union Bank of India to facilitate a cashless, paperless and transparent payment system for an array of services in October 2019.
- In February 2019, the Government of India released the Draft National e-Commerce Policy which encourages FDI in the marketplace model of e-commerce
- In order to increase the participation of foreign players in the e-commerce field, the Indian Government hiked the limit of foreign direct investment (FDI) in the E-commerce marketplace model for up to 100 per cent (in B2B models).
- The heavy investment of Government of India in rolling out the fiber network for 5G will help boost ecommerce in India
- In the Union Budget of 2018-19, government has allocated Rs 8,000 crore (US$ 1.24 billion) to BharatNet Project, to provide broadband services to 150,000 gram panchayats
- As of August 2018, the government is working on the second draft of e-commerce policy, incorporating inputs from various industry stakeholders.

Achievements

Following are the achievements of the government in the past four years:

- Internet subscribers in India stood at 665.31 million in June 2019.
- In the festive sale (September 29-October 4, 2019), the e-tailers in India achieved US$ 3 billion of Gross Merchandise Value (GMV).
- Amazon India launched the Amazon Marketplace Appstore which will provide solutions to sellers .
- Value of Unified Payments Interface (UPI) transactions recorded 1.15 billion transaction worth more than Rs 1.913 trillion (US$ 27 billion) in October 2019.
- Under Internet Saathi project over 26 million women were benefitted in India and it reached 2.6 lakh villages and reached 20 states.
- Under the Digital India movement, government launched various initiatives like Udaan, Umang, Start-up India Portal etc.
- Under the project ‘Internet Saathi’, the government has influenced over 16 million women in India and reached 166,000 villages

- Udaan, a B2B online trade platform that connect small and medium size manufacturers and wholesalers with online retailers and also provide them logistics, payments and technology support, has sellers in over 80 cities of India and delivers to over 500 cities.
- According to the UN's eGovernance index, India has jumped 11 positions to 107 in 2016 from 2018 in 2014.
- The government introduced Bharat Interface for Money (BHIM), a simple mobile based platform for digital payments.

Road Ahead

The e-commerce industry been directly impacting the micro, small & medium enterprises (MSME) in India by providing means of financing, technology and training and has a favourable cascading effect on other industries as well. The Indian e-commerce industry has been on an upward growth trajectory and is expected to surpass the US to become the second largest e-commerce market in the world by 2034. Technology enabled innovations like digital payments, hyper-local logistics, analytics driven customer engagement and digital advertisements will likely support the growth in the sector. The growth in e-commerce sector will also boost employment, increase revenues from export, increase tax collection by ex-chequers, and provide better products and services to customers in the long-term.

E-retail market is expected to continue its strong growth, by registering a CAGR of over 35 per cent and to reach Rs 1.8 trillion (US$ 25.75 billion) by FY20.

Q6. Explain the use of HTML.

HTML

HTML stands for **Hyper Text Markup Language**, which is the most widely used language on Web to develop web pages. **HTML** was created by Berners-Lee in late 1991 but "HTML 2.0" was the first standard HTML specification which was published in 1995. HTML 4.01 was a major version of HTML and it was published in late 1999. Though HTML 4.01 version is widely used but currently we are having HTML-5 version which is an extension to HTML 4.01, and this version was published in 2012.

Originally, **HTML** was developed with the intent of defining the structure of documents like headings, paragraphs, lists, and so forth to facilitate the sharing of scientific information between researchers. Now, HTML is being widely used to format web pages with the help of different tags available in HTML language.

HTML is a MUST for students and working professionals to become a great Software Engineer specially when they are working in Web Development Domain. some of the key advantages of learning HTML:

1. **Create Web site** - You can create a website or customize an existing web template if you know HTML well.
2. **Become a web designer** - If you want to start a carrer as a professional web designer, HTML and CSS designing is a must skill.
3. **Understand web** - If you want to optimize your website, to boost its speed and performance, it is good to know HTML to yield best results.
4. **Learn other languages** - Once you understands the basic of HTML then other related technologies like javascript, php, or angular are become easier to understand.

Hello World using HTML.

Just to give you a little excitement about HTML, I'm going to give you a small conventional **HTML Hello World** program, You can try it using Demo link.

```
<!DOCTYPE html>
<html>
<head>
<title>This is document title</title>
</head>
<body>
<h1>This is a heading</h1>
<p>Hello World!</p>
</body>
</html>
```

Applications of HTML

As mentioned before, HTML is one of the most widely used language over the web. I'm going to list few of them here:

Web pages development - HTML is used to create pages which are rendered over the web. Almost every page of web is having html tags in it to render its details in browser.

Internet Navigation - HTML provides tags which are used to navigate from one page to another and is heavily used in internet navigation.

Responsive UI - HTML pages now-a-days works well on all platform, mobile, tabs, desktop or laptops owing to responsive design strategy.

Offline support HTML pages once loaded can be made available offline on the machine without any need of internet.

Game development- HTML5 has native support for rich experience and is now useful in gaming developent arena as well.

Q2. Explain Basic HTML Tags.

HTML - Basic Tags

1. Heading Tags

Any document starts with a heading. You can use different sizes for your headings. HTML also has six levels of headings, which use the elements <h1>, <h2>, <h3>, <h4>, <h5>, and <h6>. While displaying any heading, browser adds one line before and one line after that heading.

Example

```
<!DOCTYPE html>
<html>
<head>
<title>Heading Example</title>
</head>
<body>
<h1>This is heading 1</h1>
<h2>This is heading 2</h2>
<h3>This is heading 3</h3>
<h4>This is heading 4</h4>
<h5>This is heading 5</h5>
<h6>This is heading 6</h6>
</body>

</html>
```

2. Paragraph Tag

The <p> tag offers a way to structure your text into different paragraphs. Each paragraph of text should go in between an opening <p> and a closing </p> tag as shown below in the example −

Example

```
<!DOCTYPE html>
<html>
```

```
<head>
<title>Paragraph Example</title>
</head>
<body>
<p>Here is a first paragraph of text.</p>
<p>Here is a second paragraph of text.</p>
<p>Here is a third paragraph of text.</p>
</body>
</html>
```

3. Line Break Tag

Whenever you use the
 element, anything following it starts from the next line. This tag is an example of an empty element, where you do not need opening and closing tags, as there is nothing to go in between them.

The
 tag has a space between the characters br and the forward slash. If you omit this space, older browsers will have trouble rendering the line break, while if you miss the forward slash character and just use
 it is not valid in XHTML.

Example

```
<!DOCTYPE html>
<html>
<head>
<title>Line Break  Example</title>
</head>
<body>
<p>Hello<br/>
    You delivered your assignment ontime.<br/>
    Thanks<br/>
    Mahnaz</p>
</body>
</html>
```

4. Centering Content

You can use <center> tag to put any content in the center of the page or any table cell.

Example

```
<!DOCTYPE html>
<html>
```

```
<head>
<title>Centring Content Example</title>
</head>
<body>
<p>This text is not in the center.</p>
<center>
<p>This text is in the center.</p>
</center>
</body>
</html>
```

5. Horizontal Lines

Horizontal lines are used to visually break-up sections of a document. The <hr> tag creates a line from the current position in the document to the right margin and breaks the line accordingly.

For example, you may want to give a line between two paragraphs as in the given example below −

Example

```
<!DOCTYPE html>
<html>
<head>
<title>Horizontal Line Example</title>
</head>
        <body>
<p>This is paragraph one and should be on top</p>
<hr/>
<p>This is paragraph two and should be at bottom</p>
</body>
        </html>
```

Again <hr /> tag is an example of the empty element, where you do not need opening and closing tags, as there is nothing to go in between them.

The <hr /> element has a space between the characters hr and the forward slash. If you omit this space, older browsers will have trouble rendering the horizontal line, while if you miss the forward slash character and just use <hr> it is not valid in XHTML

6. Preserve Formatting

   Sometimes, you want your text to follow the exact format of how it is written in the HTML document. In these cases, you can use the preformatted tag <pre>.

   Any text between the opening <pre> tag and the closing </pre> tag will preserve the formatting of the source document.

   Example

```
<!DOCTYPE html>
<html>
<head>
<title>Preserve Formatting Example</title>
</head>
        <body>
<pre>
      function testFunction( strText ){
        alert (strText)
      }
</pre>
</body>
</html>
```

   Try using the same code without keeping it inside <pre>...</pre> tags

7. Nonbreaking Spaces

   Suppose you want to use the phrase "12 Angry Men." Here, you would not want a browser to split the "12, Angry" and "Men" across two lines −

   An example of this technique appears in the movie "12 Angry Men."

   In cases, where you do not want the client browser to break text, you should use a nonbreaking space entity   instead of a normal space. For example, when coding the "12 Angry Men" in a paragraph, you should use something similar to the following code −

   Example

```
<!DOCTYPE html>
<html>
<head>
<title>Nonbreaking Spaces Example</title>
</head>
```

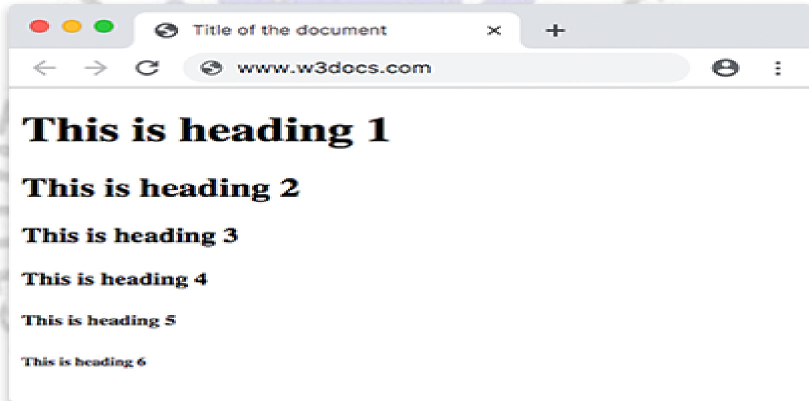
```
<body>
<p>An example of this technique appears in the movie "12 Angry Men."</p>
</body>
</html>
```

An example of this technique appears in the movie "12 Angry Men."

Q7. Explain HTML Headings Tags

HTML Headings

The heading definition is a title at the head of a page or section of a book. It is very important to have different types of headings to structure the content of the web page. Headings help search engines to understand and index the structure of the web page.



Heading Tags

There are 6 levels of headings in HTML: <h1>, <h2>, <h3>, <h4>, <h5>, and <h6>.

The <h1> - <h6> tags are used to mark headings according to their importance. The <h1> tag stands for the most important heading of the web page and the <h6> stands for the least important and smallest one.

Example of <h1> - <h6> html heading tags:

```
<!DOCTYPE html>
<html>
<head>
<title>Title of the document</title>
</head>
<body>
<h1>This is heading 1</h1>
<h2>This is heading 2</h2>
<h3>This is heading 3</h3>
```

```
<h4>This is heading 4</h4>
<h5>This is heading 5</h5>
<h6>This is heading 6</h6>
</body>
</html>
```

Importance of Heading

HTML headings emphasize important topics and the document structure thus improving user engagement.

Use only one <h1> tag on any web page. The tag should describe what your page is about and contain a keyword, as it helps to improve rankings in Google.

Search Engines use headings for indexing the structure and content of the webpage.

Heading Size

You can change the default size of the headings. Set a size for any heading with the style attribute, using the CSS font-size property:

Example of changing the size of the heading with the font-size property:

```
<!DOCTYPE html>
<html>
<head>
<title>Title of the document</title>
<style>
h1{
font-size: 50px;
    }
</style>
</head>
<body>
<h1>This is heading 1</h1>
</body>
</html>
```

Q8. Explain HTML Frame Tags

HTML - Frames

HTML frames are used to divide your browser window into multiple sections where each section can load a separate HTML document. A collection of frames in the browser window is known as a frameset. The window is divided into frames in a similar way the tables are organized: into rows and columns.

Disadvantages of Frames

There are few drawbacks with using frames, so it's never recommended to use frames in your webpages −

Some smaller devices cannot cope with frames often because their screen is not big enough to be divided up.

Sometimes your page will be displayed differently on different computers due to different screen resolution.

The browser's *back* button might not work as the user hopes.

There are still few browsers that do not support frame technology.

Creating Frames

To use frames on a page we use <frameset> tag instead of <body> tag. The <frameset> tag defines, how to divide the window into frames. The **rows** attribute of <frameset> tag defines horizontal frames and **cols** attribute defines vertical frames. Each frame is indicated by <frame> tag and it defines which HTML document shall open into the frame.

Note − The <frame> tag deprecated in HTML5. Do not use this element.

Example

Following is the example to create three horizontal frames −

```
<!DOCTYPE html>
<html>
<head>
<title>HTML Frames</title>
</head>
        <framesetrows="10%,80%,10%">
<framename="top"src="/html/top_frame.htm"/>
<framename="main"src="/html/main_frame.htm"/>
<framename="bottom"src="/html/bottom_frame.htm"/>
<noframes>
<body>Your browser does not support frames.</body>
```

```
</noframes>
</frameset>
</html>
```

This will produce the following result −

Example

Let's put the above example as follows, here we replaced rows attribute by cols and changed their width. This will create all the three frames vertically −

```
<!DOCTYPE html>
<html>
<head>
<title>HTML Frames</title>
</head>
<framesetcols="25%,50%,25%">
<framename="left"src="/html/top_frame.htm"/>
<framename="center"src="/html/main_frame.htm"/>
<framename="right"src="/html/bottom_frame.htm"/>
<noframes>
<body>Your browser does not support frames.</body>
</noframes>
</frameset>
</html>
```

This will produce the following result −

The <frameset> Tag Attributes

Q9. How to Insert Hyperlink in HTML Page?

With HTML, easily add hyperlinks to any HTML page. Link team page, about page, or even a test by creating it a hyperlink. You can also create a hyperlink for an external website. To make a hyperlink in an HTML page, use the <a> and tags, which are the tags used to define the links.

The <a> tag indicates where the hyperlink starts and the tag indicates where it ends. Whatever text gets added inside these tags, will work as a hyperlink. Add the URL for the link in the . Just keep in mind that you should use the <a>… tags inside <body>…</body> tags.

```
Example<!DOCTYPE html>
<html>
  <head>
    <title>HTML Hyperlinks</title>
  </head>
  <body>
    <h1>Company</h1>
    <p>
      We're a <a href="/about/about_team.htm">team</a> of professionals working
      hard to provide free learning content.
    </p>
  </body>
</html>
```

Q10. What is Electronic Payment System?

An e-payment system is a way of making transactions or paying for goods and services through an electronic medium, without the use of checks or cash. It's also called an electronic payment system or online payment system.

The electronic payment system has grown increasingly over the last decades due to the growing spread of internet-based banking and shopping.

As the world advances more with technology development, we can see the rise of electronic payment systems and payment processing devices. As this increase, improve, and provide ever more secure online payment transactions the percentage of check and cash transactions will decrease.

Digital Payment Requirements

The different security requirements of digital payments are mentioned below:

- Confidentiality.
- Integrity.
- Authentication.
- Availability.
- Authorization.
- Non-repudiation.

What You Need to Know About Electronic Payment Systems

E-commerce sites use electronic payment, where electronic payment refers to paperless monetary transactions. Electronic payment has revolutionized the business processing by reducing the paperwork, transaction costs, and labor cost. Being user friendly and less time-consuming than manual processing, it helps business organization to expand its market reach/expansion. Listed below are some of the modes of electronic payments

- Credit Card
- Debit Card
- Smart Card
- E-Money
- Electronic Fund Transfer (EFT)

Types of Electronic Payment Systems

some of the modes of electronic payments −

- Credit Card
- Debit Card
- Smart Card
- E-Money

➢ **Credit Card**

Payment using credit card is one of most common mode of electronic payment. Credit card is small plastic card with a unique number attached with an account. It has also a magnetic strip embedded in it which is used to read credit card via card readers. When a customer purchases a product via credit card, credit card issuer bank pays on behalf of the customer and customer has a certain time period after which he/she can pay the credit card bill. It is usually credit card monthly payment cycle. Following are the actors in the credit card system.

The card holder − Customer

The merchant − seller of product who can accept credit card payments.

The card issuer bank − card holder's bank

The acquirer bank − the merchant's bank

The card brand − for example , visa or Mastercard.

➢ **Debit Card**

Debit card, like credit card, is a small plastic card with a unique number mapped with the bank account number. It is required to have a bank account before getting a debit card from the bank. The major difference between a debit card and a credit card is that in case of payment through debit card, the amount gets deducted from the card's bank account immediately and there should be sufficient balance in the bank account for the transaction to get completed; whereas in case of a credit card transaction, there is no such compulsion.

Debit cards free the customer to carry cash and cheques. Even merchants accept a debit card readily. Having a restriction on the amount that can be withdrawn in a day using a debit card helps the customer to keep a check on his/her spending.

- **Smart Card**

  Smart card is again similar to a credit card or a debit card in appearance, but it has a small microprocessor chip embedded in it. It has the capacity to store a customer's work-related and/or personal information. Smart cards are also used to store money and the amount gets deducted after every transaction.

  Smart cards can only be accessed using a PIN that every customer is assigned with. Smart cards are secure, as they store information in encrypted format and are less expensive/provides faster processing. Mondex and Visa Cash cards are examples of smart cards.

- **E-Money**

  E-Money transactions refer to situation where payment is done over the network and the amount gets transferred from one financial body to another financial body without any involvement of a middleman. E-money transactions are faster, convenient, and saves a lot of time.

  Online payments done via credit cards, debit cards, or smart cards are examples of emoney transactions. Another popular example is e-cash. In case of e-cash, both customer and merchant have to sign up with the bank or company issuing e-cash.

- **Electronic Fund Transfer**

  It is a very popular electronic payment method to transfer money from one bank account to another bank account. Accounts can be in the same bank or different banks. Fund transfer can be done using ATM (Automated Teller Machine) or using a computer.

  Nowadays, internet-based EFT is getting popular. In this case, a customer uses the website provided by the bank, logs in to the bank's website and registers another bank account.

  He/she then places a request to transfer certain amount to that account. Customer's bank transfers the amount to other account if it is in the same bank, otherwise the transfer request is forwarded to an ACH (Automated Clearing House) to transfer the amount to other account and the amount is deducted from the customer's account.

Once the amount is transferred to other account, the customer is notified of the fund transfer by the bank.

- **Concept of e-Money**

Electronic **money** (**e-money**) is broadly defined as **an electronic** store of monetary value on a technical device that may be widely used for making payments to entities other than the **e-money** issuer. The device acts as a prepaid bearer instrument which does not necessarily involve bank accounts in transactions.

Infrastructure Issues in Electronic Payment Systems

Infrastructure is necessary for the successful implementation of electronic payments. Proper Infrastructure for electronic payments is a challenge.

For electronic payments to be successful, there is the need to have reliable and cost effective infrastructure that can be accessed by majority of the population.

Electronic payments communication infrastructure includes computer network. such as the internet and mobile network used for mobile phone.

In addition, banking activities and operations need to be automated. A network that links banks and other financial institutions for clearing and payment confirmation is a pre-requisite for electronic payment systems. mobile network and Internet are readily available in the developed world and users usually do not have problems with communication infrastructure.

In developing countries, many of the rural areas are unbanked and lack access to critical infrastructure that drives electronic payments.

Some of the debit cards technologies like Automated Teller Machines (ATMs) are still seen by many as unreliable for financial transactions as stories told by people suggested that they could lose their money through fraudulent deductions, debits and other lapses for which the technology had been associated with by many over the last few years.

Telecommunication and electricity are not available throughout the country, which negatively affect the development of e-payments. The development of information and communication technology is a major challenge for e-payments development.

✓ **Risks in Electronic Payment Systems**

- *Customer's risks*

- Stolen credentials or password
- Dishonest merchant
- Disputes over transaction
- Inappropriate use of transaction details

- *Merchant's risks*
- Forged or copied instruments
- Disputed charges
- Insufficient funds in customer's account
- Unauthorized redistribution of purchased items

Q11. What do you mean by Electronic Fund Transfer?

Electronic Fund Transfer

Electronic Funds Transfer (EFT) is the electronic transfer of money from one bank account to another, either within a single financial institution or across

multiple institutions, via computer-based systems, without the direct intervention of bank staff. EFT transactions are known by a number of names. In the United States, they may be referred to as electronic checks or e-checks.

Types of EFT

The term covers a number of different payment systems, for example:

Cardholder-initiated transactions, using a payment card such as a credit or debit card

Direct deposit payment initiated by the payer

Direct debit payments for which a business debits the consumer's bank accounts for payment for goods or services

Wire transfer via an international banking network such as SWIFT

Electronic bill payment in online banking, which may be delivered by EFT or paper check

Transactions involving stored value of electronic money, possibly in a private currency.

HOW EFT WORKS ?

EFTs include direct-debit transactions, wire transfers, direct deposits, ATM withdrawals and online bill pay services. Transactions are processed through the Automated Clearing House (ACH) network, the secure transfer system of the Federal Reserve that connects all U.S. banks, credit unions and other financial institutions.

For example, when you use your debit card to make a purchase at a store or online, the transaction is processed using an EFT system. The transaction is very similar to an ATM withdrawal, with near-instantaneous payment to the merchant and deduction from your checking account.

Direct deposit is another form of an electronic funds transfer. In this case, funds from your employer's bank account are transferred electronically to your bank account, with no need for paper-based payment systems.

Types of EFT payments

There are many ways to transfer money electronically. Below are descriptions of common EFT payments you might use for your business.

Direct deposit lets you electronically pay employees. After you run payroll, you will tell your direct deposit service provider how much to deposit in each employee's bank account. Then, the direct deposit provider will put that money in employee accounts on payday. Not all employers can make direct deposit mandatory, so make sure you brush up on direct deposit laws.

Wire transfers are a fast way to send money. They are typically used for large, infrequent payments. You might use wire transfers to pay vendors or to make a large down payment on a building or equipment.

ATMs let you bank without going inside a bank and talking to a teller. You can withdraw cash, make deposits, or transfer funds between your accounts.

Debit cards allow you to make EFT transactions. You can use the debit card to move money from your business bank account. Use your debit card to make purchases or pay bills online, in person, or over the phone.

Electronic checks are similar to paper checks, but used electronically. You will enter your bank account number and routing number to make a payment.

Pay-by-phone systems let you pay bills or transfer money between accounts over the phone.

Personal computer banking lets you make banking transactions with your computer or mobile device. You can use your computer or mobile device to move money between accounts.

Q12. What are the various Security threats in E-Commerce Environment?

Security threats in E-Commerce environment

There are various types of e-commerce threats. Some are accidental, some are purposeful, and some of them are due to human error. The most common security threats are phishing attacks, money thefts, data misuse, hacking, credit card frauds, and unprotected services.

- **Inaccurate management**-One of the main reason for e-commerce threats is poor management. When security is not up to the mark, it poses a very dangerous threat to the networks and systems. Also, security threats occur when there are no proper budgets are allocated for the purchase of anti-virus software licenses.
- **Price Manipulation**-Modern e-commerce systems often face price manipulation problems. These systems are fully automated; right from the first visit to the final payment getaway. Stealing is the most common intention of price manipulation. It allows an intruder to slide or install a lower price into the URL and get away with all the data.
- **Snowshoe Spam**-Now spam is something which is very common. Almost each one of us deals with spam emails in our mailbox. The spam messages problem has never been actually solved, but now it is turning out to be a not so general issue. The reason for this is the very nature of a spam message. Spam is something which is sent by one person, but unfortunately, new development is taking place in the cyber world. It is called as snowshoe spam. Unlike regular spam it is not sent from one computer but is sent from many users. In such a case it becomes difficult for the anti-spam software to protect the spam messages.

security threats in E-Commerce environment

- **Malicious code threats**-These code threats typically involve viruses, worms, Trojan horses.
- Viruses are normally external threats and can corrupt the files on the website if they find their way in the internal network. They can be very dangerous as they destroy the computer systems completely and can damage the normal working of the computer. A virus always needs a host as they cannot spread by themselves.
- Worms are very much different and are more serious than viruses. It places itself directly through the internet. It can infect millions of computers in a matter of just a few hours.
- A Trojan horse is a programming code which can perform destructive functions. They normally attack your computer when you download something. So always check the source of the downloaded file.

- **Hacktivism**-The full form of Hacktivism is hacking activism. At first, it may seem like you should hardly be aware of this cyber threat. After all, it is a problem not directly related to you. Why should you be bothered at all? However, that's not the case. Firstly hacktivists do not target directly to those associated only with politics. It can also be a socially motivated purpose. It is typically using social media platforms to bring to light social issues. It can also include flooding an email address with so much traffic that it temporarily shuts down.
- **Wi-Fi Eavesdropping**-It is also one of the easiest ways in e-commerce to steal personal data. It is like a "virtual listening" of information which is shared over a Wi-Fi network which is not encrypted. It can happen on the public as well as on personal computers.
- **Other threats**-Some other threats which include are data packet sniffing, IP spoofing, and port scanning. Data packet sniffing is also normally called as sniffers. An intruder can use a sniffer to attack a data packet flow and scan individual data packs. With IP spoofing it is very difficult to track the attacker. The purpose here is to change the source address and give it such a look that it should look as though it originated from another computer.

Q13. Explain Encryption vs Decryption: What's the Difference?

Cryptography

Cryptography is used to secure and protect data during communication. It is helpful to prevent unauthorized person or group of users from accessing any confidential data.

Encryption and decryption are the two essential functionalities of cryptography.

A message sent over the network is transformed into an unrecognizable encrypted message known as data encryption.

At the receiving end, the received message is converted to its original form known as decryption.

What is meant By Encryption

Encryption is a process which transforms the original information into an unrecognizable form. This new form of the message is entirely different from the original message. That's why a hacker is not able to read the data as senders use an encryption algorithm. Encryption is usually done using key algorithms.

Data is encrypted to make it safe from stealing. However, many known companies also encrypt data to keep their trade secret from their competitors.

What is meant by Decryption

Decryption is a process of converting encoded/encrypted data in a form that is readable and understood by a human or a computer. This method is performed by un-encrypting the text manually or by using keys used to encrypt the original data.

Why use Encryption and Decryption

1. Helps you to protect your confidential data such as passwords and login id
2. Provides confidentiality of private information
3. Helps you to ensure that that the document or file has not been altered
4. Encryption process also prevents plagiarism and protects IP
5. Helpful for network communication (like the internet) and where a hacker can easily access unencrypted data.
6. It is an essential method as it helps you to securely protect data that you don't want anyone else to have access.

- Electronic Signatures
  Symbols or other data in digital form attached to an electronically transmitted document as verification of the sender's intent to sign the document.
- Digital signature
  A digital code (generated and authenticated by public key encryption) which is attached to an electronically transmitted document to verify its contents and the sender's identity.

Difference Between Digital Signature and Electronic Signature

Electronic signature and digital signature are often used interchangeably but the truth is that these two concepts are different. The main difference between the two is that digital signature is mainly used to secure documents and is authorized by certification authorities while electronic signature is often associated with a contract where the signer has got the intention to do so.

A digital signature is characterized by a unique feature that is in digital form like fingerprint that is embedded in a document. The signer is required to have a digital certificate so that he or she can be linked to the document.

Digital signature is often authorized by certification authorities that are responsible for providing digital certificates that can be compared to licenses or passports. A digital certificate is used to validate the document to ascertain its authenticity if it has not been forged. This plays a pivotal role in verifying the identity of the original person with the signature. The other key feature of a digital signature is that it is used to secure digital documents. There are some people who have a tendency of tempering with digital documents obtained online but with a digital signature, this can be impossible. The document is secured and can only be accessed by the authorized person for any alterations or amendments.

When a digital signature is applied to a certain document, the digital certificate is bound to the data being signed into one unique fingerprint. These two components of the digital signature are unique and this makes it more viable than wet signatures since its origins can be authenticated. This cryptographic operation helps to perform the following functions:

- Prove the authenticity of the document and its source
- Make sure that the document has not been tempered with
- Personal identity has been verified.

The other notable aspect about digital signature is that it is comprised of different types that are supported by mainly two document processing platforms that are adobe and Microsoft.

Q14. What are E-commerce Applications?

eCommerce development and its applications is an unavoidable sector in the present day to day life.

- **Retail and wholesale:** E-commerce has a number of applications In retail and wholesale.

  E-retailing or on-line retailing is the selling of goods from Business-to-Consumer through electronic stores that are designed using the electronic catalog and shopping cart model.

  Cybermall is a single Website that offers different products and services at one Internet location. It attracts the customer and the seller into one virtual space through a Web browser.

- **Marketing:** Another application e-commerce is Marketing. Data collection about customer behavior, preferences, needs and buying patterns is possible through Web and E-commerce. This helps marketing activities such as price fixation, negotiation, product feature enhancement and relationship with the customer.

- **Finance:** Financial companies are using E-commerce to a large extent. Customers can check the balances of their savings and loan accounts, transfer money to their other account and pay their bill through on-line banking or E-banking.
- E-commerce Applications
- Another application of E-commerce is on-line stock trading. Many Websites provide access to news, charts, information about company profile and analyst rating on the stocks.
- **Manufacturing:** E-commerce is also used in the supply chain operations of a company. Some companies form an electronic exchange by providing together buy and sell goods, trade market information and run back office information such as inventory control. This speeds up the flow of raw material and finished goods among the members of the business community. Various issues related to the strategic and competitive issues limit the implementation of the business models.
- Companies may not trust their competitors and may fear that they will lose trade secrets if they participate in mass electronic exchanges.
- **Auctions:** Customer-to-Customer E-commerce is direct selling of goods and services among customers. It also includes electronic auctions that involve bidding. Bidding is a special type of auction that allows prospective buyers to bid for an item.
- **Various type of ecommerce application available in the market.**

➢ Online marketing and purchasing.
➢ Retail and wholesale.
➢ Finance.
➢ Manufacturing.
➢ Online Auction.
➢ **E**-Banking.
➢ Online publishing.
➢ Online booking.

- We can classify Ecommerce by application into:
- **Electronic markets** – here the buyer is presented a range of products and services available in a market so that they can compare prices and make the purchase
- **Electronic Data Interchange** (EDI)– this is a standardized system where computers communicate with one another without printed documents like order forms or invoices; it eliminates delays and errors otherwise seen when paper handling is involved
- **Internet Commerce** – the one we are most familiar with; the medium used to advertise, and sell innumerable products and services; the purchased goods are then shipped to the buyer.

Emerging Trends in E-Commerce

1.Online Sales Growth is Unstoppable

2. Environmental Topics Influence Buyers

3. Mobile Shopping is Growing

4. Rise of Voice Commerce

5. Evolving Role of Social Media in Ecommerce

6. QR Code Payments Make a Comeback

7. Role of Artificial Intelligence

8. Augmented Reality Transforms How We Shop

9. Personalization is the Future

10. Visual Commerce Is on the Rise

Q15. What do you mean by m-commerce (mobile commerce)?

m-commerce (mobile commerce)

M-commerce (mobile commerce) is the buying and selling of goods and services through wireless handheld devices such as smart phones and tablets.

As a form of e-commerce, m-commerce enables users to access online shopping platforms without needing to use a desktop computer.

Examples of m-commerce include in-app purchasing, mobile banking, virtual marketplace apps like the Amazon mobile app or a digital wallet such as Apple Pay, Android Pay and Samsung Pay.

Applications of M-commerce

- Mobile Banking: Using a mobile website or application to perform all your banking functions. It is one step ahead of online banking and has become commonplace these days. For example, in Nigeria, the majority of banking transactions happen on mobile phones.
- Mobile Ticketing and Booking: Making bookings and receiving your tickets on the mobile. The digital ticket or boarding pass is sent directly to your phone after you make the payment from it. Even in India now IRTC and other services provide m-ticketing services.
- E-bills: This includes mobile vouchers, mobile coupons to be redeemed and even loyalty points or cards system.

- Auctions: Online auctions having now been developed to be made available via mobile phones as well.
- Stock Market Reports and even stock market trading over mobile applications.

Advantages of M-commerce

- It provides a very convenient and easy to use the system to conduct business transactions.
- Mobile commerce has a very wide reach. A huge part of the world's population has a mobile phone in their pocket. So the sheer size of the market is tremendous.
- M-commerce also helps businesses target customers according to their location, service provider, the type of device they use and various other criteria. This can be a good marketing tool.
- The costs of the company also reduced. This is due to the streamlined processes, now transaction cost, low carrying cost and low order processing cost as well.

Disadvantages of M-commerce

- The existing technology to set up an m-commerce business is very expensive. It has great start-up costs and many complications arise.
- In developing countries, the networks and service providers are not reliable. It is not most suitable for data transfer.
- Then there is the issue of security. There are many concerns about the safety of the customer's private information. And the possibility of a data leak is very daunting.

What are the differences between e-commerce and m-commerce?

- E-commerce came into existence in the 1970s. Whereas, M-commerce was invented later during the 1990s
- Electronic commerce has a narrower reach than M-commerce, due to a large number of mobile users globally.
- E-commerce is generally a less costly method. The set up of the website and the use of the internet is both relatively cheaper methods. M-commerce, on the other hand, is more expensive due to the creation of the mobile app and the need to use cellular data (for the customers)

Mobile commerce applications examples

- Amazon - Amazon is one of the largest online marketplaces in the world, featuring hundreds of thousands of items on sale. Packing all of this content into a user-friendly and intuitive app was surely challenging. But Amazon's m-commerce app is light and fast, allowing its users to search and filter a wide range of products using various parameters with just a few clicks. Moreover, Amazon provides several payment gateways to build a smooth checkout experience. Users also get notified about their order status in up-to-the-minute updates. The app also takes advantage of localization services to help users discover offers from businesses located nearby.

- Uber- Uber might not be the first thing that pops into your mind when thinking about m-commerce, but this leading on-demand car service app is, in fact, a great example of mobile commerce capabilities. By connecting riders with drivers, the app uses GPS technology to access the progress of the car on its way. It also allows users to compare different vehicle types and pay for rides using their mobile wallets. After completing the ride, both the driver and the passenger can rate one another and leave their feedback.

Q16. What are the Economic, Social, Technological factors that affects Ecommerce?

- Economic Forces Affect E-Commerce Organizations

Economic forces are factors such as inflation, interest rates, labor and government monetary policies that influence levels of production and demand for goods and services.

These factors dictate the availability and affordability of production resources, as well as the abilities of consumers to afford your end products.

E-commerce involves transacting business through the use of automated information technology applications.

- Social Factors that Affect E-Commerce Organizations

The main **ethical**, **social, and political issue** raised by information systems center around

1. information rights and obligations,
2. property rights and obligations,
3. accountability and control,
4. system quality, and
5. quality of life.

- Technological Factors that Affect E-Commerce Organizations

1. **Mobile apps are changing consumer/retailer relationships.** Now, businesses can reach consumers everywhere. Even when customers aren't shopping, retailers can still be on their minds. The constant presence of a brand's app on a customer's phone reminds him or her that that brand is out there, as an option.
2. **Retailers are more on consumers' minds.** Promotions that once got filtered out by spam detectors or were scrolled over by consumers can now grab a user's attention right at his or her home screen. Retailers are harnessing these updates to keep customers updated and informed about new sales and promotions.

3. **Personalized customer experience is growing.** Brand websites, email, Facebook, Twitter and even Instagram are all being used by customers to connect with brands.
4. **Consumers like the convenience of faster delivery and lower prices.** In the near future, solutions to the delivery obstacle, at least, will come in the form of automated vehicles and drones. Ecommerce behemoths like Amazon are already looking to pave the way with such technology.
5. **Small businesses are taking over.** Social media, mobile, and cloud technology are enhancing entrepreneurs' ability to get businesses off the ground faster.
6. Legal and Ethical Issues of E-Commerce
7. In the Information Age, technology evolves fast and data travels even faster. It can be difficult for the law to keep up with new technologies and inventive ways to conduct e-business. Because of this, the law often lags behind, and lawmakers end up drafting laws to clean up Internet messes instead of preventing them. Take digital file sharing — dubbed piracy — for example, laws were not created to prevent digital piracy until millions of albums were stolen and the music industry was crippled. The lag in laws mean that e-business executives must rely on ethics as they move forward in e-commerce.
8. **Client Privacy**

   Internet businesses have a legal obligation to protect the private information of their customers. E-commerce activity often involves collecting secure data such as names and phone numbers associated with email addresses. Many e-business activities also involve transactions, so customer banking or credit card information also ends up stored online. Legally, it is up to the e-business to store and protect or dispose of this sensitive data. The Children's Online Privacy Protection Act, for example, protects the online privacy rights of children. Under this law, parents have control of what personal information their children can give to e-businesses.
9. **Advertising Online**

   Several online marketing issues spring from the inherent anonymity of the Internet. It is often difficult to know the real identity of an e-business owner.

   A few online businesses take advantage of this in unethical or illegal ways.

   Some e-businesses track the online activity of their customers so that they can show advertisements based on the customer's behavior. Behavioral advertising is not illegal, and it is not illegal to refrain from disclosing that an e-businesses tracks activity, although many people consider this nondisclosure unethical.

10. **Copyright Infringements**

Due to the Internet's free flow of information, plagiarism and copyright infringement is a continual problem.

The Digital Millennium Copyright Act addresses plagiarism and copyright infringement in the specific context of the Internet and e-business.

Under this law, it is illegal to use online technology to copy and distribute legally copyrighted material, such as photography, articles or books, music or videos.

11. **Net Neutrality**

Net neutrality is the hotly debated idea that Internet users should have equal access to all websites.

Most computers retrieve websites at the same speed, depending on the user's Internet account settings or service, no matter if the site is a multibillion-dollar company or a neighbor's blog.

But some Internet providers have the capability to deliver different websites at different speeds.

This is an issue because some websites could pay providers to deliver their content at faster speeds, while smaller business with less capital might not be able to afford the faster processing, and the Internet would lose its free-access-for-all feel.

The Federal Communications Commission currently supports net neutrality and bans providers from participating in any program that offers extra pay for higher speed access to any websites.

12. **Disintermediation and Reintermediation**

Intermediation is one of the most important and interesting e-commerce issue related to loss of jobs. The services provided by intermediaries are-

(i) Matching and providing information.

(ii) Value added services such as consulting.

The first type of service (matching and providing information) can be fully automated, and this service is likely to be in e-marketplaces and portals that provide free services. The value added service requires expertise and this can only be partially automated. The phenomenon by which Intermediaries, who provide mainly matching and providing information services are eliminated is called Disintermediation.

The brokers who provide value added services or who manage electronic intermediation (also known as infomediation), are not only surviving but may actually prosper, this phenomenon is called Reintermediation.

The traditional sales channel will be negatively affected by disintermediation. The services required to support or complement e-commerce are provided by the web as new opportunities for reintermediation. The factors that should be considered here are the enormous number of participants, extensive information processing, delicate negotiations, etc. They need a computer mediator to be more predictable.

13. **Legal Issues**

Where are the headlines about consumers defrauding merchants?

What about fraud e-commerce websites?

Internet fraud and its sophistication have grown even faster than the Internet itself.

There is a chance of a crime over the internet when buyers and sellers do not know each other and cannot even see each other.

During the first few years of e-commerce, the public witnessed many frauds committed over the internet.

Q17. What are the various kinds of Fraud on the Internet?

E-commerce fraud popped out with the rapid increase in popularity of websites.

It is a hot issue for both cyber and click-and-mortar merchants.

The swindlers are active mainly in the area of stocks. The small investors are lured by the promise of false profits by the stock promoters.

Auctions are also conductive to fraud, by both sellers and buyers.

The availability of e-mails and pop up ads has paved the way for financial criminals to have access to many people.

Other areas of potential fraud include phantom business opportunities and bogus investments.

What is a Cyber Threat?

the threat is defined as a possibility. However, in the cybersecurity community, the threat is more closely identified with the actor or adversary attempting to gain access to a system.

Or a threat might be identified by the damage being done, what is being stolen or the Tactics, Techniques and Procedures (TTP) being used.

Types of Cyber Threats

Social Engineered Trojans

Unpatched Software (such as Java, Adobe Reader, Flash)

Phishing

Network traveling worms

Advanced Persistent Threats

Types of Cyber Threats

Advanced Persistent Threats

Phishing

Trojans

Botnets

Ransomware

Distributed Denial of Service (DDoS)

Wiper Attacks

Intellectual Property Theft

Theft of Money

Data Manipulation

Data Destruction

Spyware/Malware

Man in the Middle (MITM)

Drive-By Downloads

Malvertising

Rogue Software

Unpatched Software

Most Common Sources of Cyber Threats

Nation states or national governments

Terrorists

Industrial spies

Organized crime groups

Hacktivists and hackers

Business competitors

Disgruntled insiders

Q18. Write a short note on Cyber Law In India: IT Act 2000?

Cyber Law In India: IT Act 2000

Cyber law is the part of the overall legal system that deals with the internet, cyberspace, and their respective legal issues. Cyber law covers legal issues which are related to the use of communicative, transactional, and distributive aspects of network information technologies and devices. It encompasses the legal, statutory, and constitutional provisions which affect computers and networks.

The Information Technology Act, 2000 came into force on 17 October 2000. This Act applies to whole of India, and its provisions also apply to any offense or contravention, committed even outside the territorial jurisdiction of Republic of India, by any person irrespective of his nationality. In order to attract provisions of this Act, such an offence or contravention should involve a computer, computer system, or computer network located in India.

The IT Act 2000 provides an extraterritorial applicability to its provisions by virtue of Section 1(2) read with Section 75. This Act has 90 Sections. India's The Information Technology Act 2000 has tried to assimilate legal principles available in several such laws (relating to information technology) enacted earlier in several other countries, as also various guidelines pertaining to information technology law. The Act gives legal validity to electronic contracts, recognition of electronic signatures. This is a modern legislation which makes acts like hacking, data theft, spreading of virus, identity theft, defamation (sending offensive messages) pornography, child pornography, cyber terrorism, a criminal offence.

INTERNATIONAL BUSINESS MANAGEMENT (320)

Q.1 What make international business strategy different from the domestic?

The important problems in international marketing are given below:

1**. Political And Legal Differences**

The political and legal environment of foreign markets is different from that of the domestic. The complexity generally increases as the number of countries in which a company does business increases. It should also be noted that the political and legal environment is not the same in all provinces of many home markets. For example, the political and legal environment is not exactly the same in all the states of India.

2. **Cultural Differences**

The cultural differences, is one of the most difficult problems in international marketing. Many domestic markets, however, are also not free from cultural diversity.

3. **Economic Differences**

The economic environment may vary from country to country.

4. **Differences In The Currency Unit**

The currency unit varies from nation to nation. This may sometimes cause problems of currency convertibility, besides the problems of exchange rate fluctuations. The monetary system and regulations may also vary.

5**. Differences In The Language**

An international marketer often encounters problems arising out of the differences in the language. Even when the same language is used in different countries, the same words of terms may have different meanings. The language problem, however, is not something peculiar to the international marketing. For example: the multiplicity of languages in India.

6. **Differences In The Marketing Infrastructure**

The availability and nature of the marketing facilities available in different countries may vary widely. For example, an advertising medium very effective in one market may not be available or may be underdeveloped in another market.

7**. Trade Restrictions**

A trade restriction, particularly import controls, is a very important problem, which an international marketer faces.

8. **High Costs Of Distance**

When the markets are far removed by distance, the transport cost becomes high and the time required for affecting the delivery tends to become longer. Distance tends to increase certain other costs also.

9. **Differences In Trade Practices**

Trade practices and customs may differ between two countries.

Q.2 State the functions and objectives of WTO:

Ans.: **The main functions of the WTO are:**

- Administering WTO trade agreements
- Providing forum for trade negotiations
- Handling trade disputes
- Monitoring Members' trade policies
- Providing technical assistance and training to developing and least developed economies
- Cooperating with other international organizations

Objectives of WTO are:

(1) to set and enforce rules for international trade,

(2) to provide a forum for negotiating and monitoring further trade liberalization,

(3) to resolve trade disputes,

(4) to increase the transparency of decision-making processes,

(5) to cooperate with other major international economic institutions involved in global economic management, and

(6) to help developing countries benefit fully from the global trading system.

Q.3 Explain the cross cultural challenges in international business.

Ans.: As companies continue to expand across borders and the global marketplace becomes increasingly more accessible for small and large businesses alike, 2017 brings ever more opportunities to work internationally.

Multinational and cross-cultural teams are likewise becoming ever more common, meaning businesses can benefit from an increasingly diverse knowledge base and new, insightful approaches to business problems. However, along with the benefits of insight and expertise, global organizations also face potential stumbling blocks when it comes to culture and international business.

While there are a number of ways to define culture, put simply it is a set of common and accepted norms shared by a society. But in an international business context, what is common and accepted for a professional from one country, could be very different for a colleague from overseas. Recognizing and understanding how culture affects international business in three core areas: communication, etiquette, and organizational hierarchy can help you to avoid misunderstandings with colleagues and clients from abroad and excel in a globalized business environment.

1. Communication

Effective communication is essential to the success of any business venture, but it is particularly critical when there is a real risk of your message getting "lost in translation." In many international companies, English is the de facto language of business. But more than just the language you speak, it's how you convey your message that's important. For instance, while the Finns may value directness and brevity, professionals from India can be more indirect and nuanced in their communication. Moreover, while fluent English might give you a professional boost globally, understanding the importance of subtle non-verbal communication between cultures can be equally crucial in international business.

What might be commonplace in your culture — be it a firm handshake, making direct eye contact, or kiss on the cheek — could be unusual or even offensive to a foreign colleague or client. Where possible, do your research in advance of professional interactions with individuals from a different culture. Remember to be perceptive to body language, and when in doubt, ask. While navigating cross-cultural communication can be a challenge, approaching cultural differences with sensitivity, openness, and curiosity can help to put everyone at ease.

2. Workplace etiquette

Different approaches to professional communication are just one of the innumerable differences in workplace norms from around the world. CT Business Travel has put together a useful info graphic for a quick reference of cultural differences in business etiquette globally.

For instance, the formality of address is a big consideration when dealing with colleagues and business partners from different countries. Do they prefer titles and surnames or is being on the first-name basis acceptable? While it can vary across organizations, Asian countries such as South Korea, China, and Singapore tend to use formal "Mr./Ms. Surname," while Americans and Canadians tend to use first names. When in doubt, erring on the side of formality is generally safest.

The concept of punctuality can also differ between cultures in an international business environment. Different ideas of what constitutes being "on time" can often lead to misunderstandings or negative cultural perceptions. For example, where an American may arrive at a meeting a few minutes early, an Italian or Mexican colleague may arrive several minutes — or more — after the scheduled start-time (and still be considered "on time").

Along with differences in etiquette, come differences in attitude, particularly towards things like workplace confrontation, rules and regulations, and assumed working hours. While some may consider working long hours a sign of commitment and achievement, others may consider these extra hours a demonstration of a lack of efficiency or the deprioritization of essential family or personal time.

3. Organizational hierarchy

Organizational hierarchy and attitudes towards management roles can also vary widely between cultures. Whether or not those in junior or middle-management positions feel comfortable speaking up in meetings, questioning senior decisions, or expressing a differing opinion can be dictated by cultural norms. Often these attitudes can be a reflection of a country's societal values or level of social equality. For instance, a country such as Japan, which traditionally values social hierarchy, relative status, and respect for seniority, brings this approach into the workplace. This hierarchy helps to define roles and responsibilities across the organization. This also means that those in senior management positions command respect and expect a certain level of formality and deference from junior team members.

However, Scandinavian countries, such as Norway, which emphasize societal equality, tend to have a comparatively flat organizational hierarchy. In turn, this can mean relatively informal communication and an emphasis on cooperation across the organization. When defining roles in multinational teams with diverse attitudes and expectations of organizational hierarchy, it can be easy to see why these cultural differences can present a challenge.

Q.4 Why is organizational structure important and how does structure itself become a source of competitive advantage in international business? Elaborate.

Ans.: An Organization structure is a framework of organization objectives and strategy. Every organization has its own structure based on the strategic goal in turn to operate efficiently. Globalization has created the dynamic market and increased the cut throat competition. In case organization require more flexible, open, transparent structure. Structure is depending upon the size, aims and industry. Organization structure includes, value and beliefs of the organization, organization plan and practices, relationship between the department and people. To achieve strategic goal it is important that every employee is assigned with clear objectives and roles to perform. Poorly designed organizational structures will result in improper, sluggish and inefficient communication among the departments and unwanted outputs. Well designed organizational structures will produce fast and clean decisions through an efficient communication channels.

There are a number of factors that differentiate small-business operations from large-business operations, one of which is the implementation of a formal organizational structure. Organizational structure is important for any growing company to provide guidance and clarity on specific human resource issues, such as managerial authority. Small-business owners should begin thinking about a formal structure early in the growth stage of their business.

Guidance from Organizational Purpose

Organizational structure provides guidance to all employees by laying out the official reporting relationships that govern the workflow of the company. A formal outline of a company's structure makes it easier to add new positions in the company, as well, providing a flexible and ready means for growth.

Significance of Formal Structure

Without a formal organizational structure, employees may find it difficult to know who they officially report to in different situations, and it may become unclear exactly who has the final responsibility for what. Organizational structure improves operational efficiency by providing clarity to employees at all levels of a company. By paying mind to the organizational structure, departments can work more like well-oiled machines, focusing time and energy on productive tasks. A thoroughly outlined structure can also provide a roadmap for internal promotions, allowing companies to create solid employee advancement tracks for entry-level workers.

Flat Organizational Structure

There are relatively few layers of management in what is termed a flat organizational structure. In a flat structure, front-line employees are empowered to make a range of decisions on their own. Information flows from the top down and from the bottom up in a flat structure, meaning communication flows from top-level management to front-line employees and from front-line employees back to top management.

Tall Organizational Structure

There are numerous layers of management in a tall organizational structure, and often inefficient bureaucracies. In a tall structure, managers make most operational decisions, and authority must be gained from several layers up before taking action. Information flows are generally one-way in a tall structure – from the top down.

Other Organizational Considerations

It is common for small businesses to lack a solid organizational structure. All employees in startup companies can be required to perform a range of tasks outside of their official job descriptions, and a good number of employees in startups have generous leeway in making decisions. Aside from that, all employees in a startup generally know who they report to, since it is usually a single person or group – the owner or partners. It is very important to have a formal organizational structure in place before your company grows so large that your unstructured workforce becomes unwieldy.

Q.5 What are the functions, features & importance of IFM?.

International financial management deals with the financial decisions taken in the area of international business. It is a popular concept which means management of finance in an international business environment, it implies, doing of trade and making money through the exchange of foreign currency. The international financial activities help the organizations to connect with international dealings with overseas business partners- customers, suppliers, lenders etc.

Basic Functions:

1. **Acquisition of funds**: This function involves generating funds from internal as well as external sources. The effort is to get funds at the lowest possible cost.
2. **Investment decisions**: It is concerned with the investment of acquired funds in an optimum manner so as to maximize shareholders' as well as stakeholders' wealth.

Features of International finance:

- Foreign exchange risk
- Political risk
- Expanded opportunity set
- Market imperfections

Foreign exchange risk: In a domestic economy this risk is generally ignored because a single national currency serves as the main medium of exchange within a country. However, when different national currencies are exchanged, there is definite risk of volatility in foreign exchange rates. Variability of exchange rates is widely regarded as the most serious international financial problem facing policymakers and corporate managers.

Political risk: It is risk of loss (or gain) from unforeseen government action or other events of political character, such as acts of terrorism.

Expanded opportunity set: When firms go global, they get benefited from the expanded opportunities available globally. They can locate production in any country or region to maximize their performance and raise funds in any capital market where the cost of capital is the lowest. They can also gain from greater economies of scale when tangible and intangible assets are deployed on a global basis.

Market imperfections: The world markets are highly imperfect, in the sense that a variety of barriers still hamper free movements of people, goods, services, and capital across national boundaries.

Importance of International financial management (IFM):

Compared to national financial markets international markets have a different shape and analytics. Proper management of international finances can help the organization in achieving same efficiency and effectiveness in all markets, hence without IFM sustaining in the market can be difficult. Companies are motivated to invest capital in abroad for the following reasons:

- Efficiently produce products in foreign markets than that domestically.
- Obtain the essential raw materials needed for production.
- Broaden and diversify markets.
- Yield will be high.

Q.6 Explain the issues and challenges faced in cross border merger and acquisition.

Ans.: Looking at the underlying dynamics cross border merger and acquisitions are quite similar to that of domestic M&A's. But because the former are huge and international in nature they pose certain unique challenges in terms of different economic, legal and cultural structures. There could be huge differences in terms of customer's tastes and preferences, business practices, the culture which could pose as a huge threat for companies to fulfill their strategic objectives. In this section let's discuss these issues and challenges briefly.

- **Political concerns**

Political scenario could play a key role in cross border merger and acquisitions, particularly for industries which are politically sensitive such as defense, security etc.

Not only considering these aspects it is also important to concerns of the parties like the governmental agencies (federal, state and local), employees, suppliers and all other interested should be addressed subsequent to the plan of the merger is known to public. In fact in certain cases there could be a requirement of prior notice and discussion with the labor unions and other concerned parties. It is important to identify and evaluate present or probable political consequences to avoid any probability of political risk arising.

- **Cultural challenges**

This could pose a huge threat to the success of cross border merger and acquisitions. History has seen huge mergers that have failed because of the cultural issues they have had. When there are cross border transactions there are issues that arise because of the geographic scope of the deal. Various factors such as differing cultural backgrounds, language necessities and dissimilar business practices have led to failed mergers in spite of being in the age where we can instantly communicate. Research proposes that intercultural disagreement is one of the major pointer of failure in cross-border merger and acquisition. Hence irrespective of what the objective behind the alliance is businesses should be well aware of the of the intercultural endangerment and prospects that come hand in hand with the amalgamation process and prepare their workforce to manage these issues.

In order to deal with these challenges businesses need to invest good amount of time and effort to be well aware of the local culture to gel with the employees and other concerned parties. It is better to over communicate and conforming things tirelessly would be the key.

- **Legal considerations**

Companies wanting to merge cannot overlook the challenge of meeting the various legal and regulatory issues that they are likely to face. Various laws in relation to security, corporate and competition law are bound to diverge from each other. Hence before considering the deal it is important to review the employment regulations, antitrust statute and other contractual requirements to be dealt with. These laws are very much part of both while the deal is under process and also after the deal has been closed.

While undergoing the process of reviewing these concerns it could indicate that the potential merger or acquisition would be totally incompatible and hence it is recommended to not go ahead with the deal.

- **Tax and accounting considerations**

Tax matters are critical particularly when it comes to structuring the transactions. The proportion of debt and equity in the transaction involved would influence the outlay of tax;

hence a clear understanding of the same becomes significant. Another factor to decide whether to structure an asset or a stock purchase is the issue of transfer taxes. It is very important to alleviate the tax risks. Countries also follow different accounting policies though the adoption of IFRS has reduced this to an extent; many countries have yet to implement it. If the parties in the merger are well aware about the financial and accounting terms in the deal, it would aid in minimizing the confusion.

- **Due diligence**

Due diligence forms a very important part of the M&A process. Apart from the legal, political and regulatory issues we discussed above there are also infrastructure, currency and other local risks which need thorough appraisal. Due diligence can affect the terms and conditions under which the M&A transaction would take place, influence the deal structure, affect the price of the deal. It helps in revealing the danger area and gives a detailed view of the proposed transactions.

There are countless other issues as every deal has its own flavor and differences. But it is of course very important to identify and tackle those challenges to help close a deal.

Q.7 What factors may be considered in country risk analysis?

Ans.: Country risk assessment, also known as country risk analysis, is the process of determining a nation's ability to transfer payments. It takes into account political, economic and social factors, and is used to help organisations make strategic decisions when conducting business in a country with excessive risk.

Different types of country risk

Country risk assessments are generally segregated into different categories, which take a closer look at some of the factors we mentioned prior. Let's discuss some of the most common and what they mean, so you can determine how they might impact your clients' transactions and, thus, premiums on TCI products.

1. Political risk

Political risk determines a country's political stability, either internally or externally. For instance, a recent military coup would increase a nation's internal political risk for businesses as rules and regulations suddenly shift. Other risks in this category could include war, terrorism, corruption and excessive bureaucracy (i.e. host government red tape is preventing certain fund transfers or other transactions).

Political risk can affect a country's attitude to meeting its debt obligations and may cause sudden changes in the foreign exchange market.

2. Sovereign risk

There is some crossover between political and sovereign risk, although the latter – also known as sovereign default risk – primarily examines debt. Specifically, this risk category measures the build up of debt that is the obligation of a government or its agencies (or that is guaranteed by the government), and how much said government is anticipated to fulfil these obligations.

For example, if a government agency refuses to carry out debt refunding, this could impact local lenders and lead to losses. This would of course have roll-on effects to local businesses and anyone undertaking trade with them.

3. Neighbourhood risk

Neighbourhood risk, also known as location risk, may not be the direct fault of the country with which your clients are dealing, but instead is caused by trouble elsewhere. This can have spillover effects on other sovereign nations, creating turmoil in the foreign market or putting pressure on local lenders and businesses.

Neighbourhood risk can be caused by:

- Geographic neighbours.
- Trading partners.
- Co-members of certain institutions or organisations.
- Strategic allies.
- Nations with similar perceived characteristics.

4. Subjective risk

Subjective risk is not a term that is used everywhere, but it measures factors that are common to most risk assessments – and could greatly impact foreign business owners trading with a host nation. Subjective risk is about attitudes, and can include social pressures and consumer opinions – whether to certain types of goods or certain types of enterprise.

5. Economic risk

Economic risk encompasses a wide range of potential issues that could lead a country to renege on its external debts or that may cause other types of currency crisis (i.e. recession). A major factor here is economic growth – the health of a nation's GDP and the outlook for its future. For instance, if a country relies on a few key exports and the prices for these are dropping, this creates a negative outlook and may increase the economic risk for foreign trading partners.

Acts of government may also impact economic risk, such as intervention in the money market or policy changes that cause tax instability. One other factor is issues with foreign currency exchange, for instance a shortage in certain currencies or a devaluation of the exchange rate.

6. Exchange risk

Any predicted loss created by sudden changes in exchange rate are generally covered under the exchange risk factor. This is another all-encompassing term as fluctuations in the foreign exchange can be caused by a wide variety of factors. Economic and political factors such as those mentioned above can be significant drivers of exchange risk, although currency reserves, interest rates and inflation are also potential factors.

One example of political change that can harm economic risk is a change in currency regime, for example from fixed regime to floating.

7. Transfer risk

The final country risk assessment factor we'll discuss today is transfer risk. This is where the host government becomes unwilling or unable to permit foreign currency transfers out of the nation. Sweeping controls such as these may be a side effect of a nation in crisis attempting to prevent creditor panic turning into significant capital outflow. A major example of this occurring is the Malaysia credit controls after the 1997-98 Asian currency crisis.

Regardless of cause, capital control can prevent foreign traders from retrieving profits or dividends from the host country.

Q.8 What is the relationship of International Development Association and World Bank? Elaborate.

Ans.: The International Development Association (IDA) is the part of the World Bank that helps the world's poorest countries. Overseen by 173 shareholder nations, IDA aims to reduce poverty by providing loans (called "credits") and grants for programs that boost economic growth, reduce inequalities, and improve people's living conditions.

IDA complements the World Bank's original lending arm—the International Bank for Reconstruction and Development (IBRD). IBRD was established to function as a self-sustaining business and provides loans and advice to middle-income and credit-worthy poor countries. IBRD and IDA share the same staff and headquarters and evaluate projects with the same rigorous standards.

IDA is one of the largest sources of assistance for the world's 76 poorest countries and is the single largest source of donor funds for basic social services in these countries.

IDA lends money on concessional terms. This means that IDA credits have a zero or very low interest charge and repayments are stretched over 30 to 38 years, including a 5- to 10-year grace period. IDA also provides grants to countries at risk of debt distress.

In addition to concessional loans and grants, IDA provides significant levels of debt relief through the Heavily Indebted Poor Countries (HIPC) Initiative and the Multilateral Debt Relief Initiative (MDRI).

In the fiscal year ending June 30, 2019, IDA commitments totalled $22 billion, of which 36 percent was provided on grant terms. New commitments in FY19 comprised 254 new operations. Since 1960, IDA has provided $391 billion for investments in 113 countries. Annual commitments have increased steadily and averaged about $22 billion over the last three years.

IDA is a multi-issue institution, supporting a range of development activities that pave the way toward equality, economic growth, job creation, higher incomes, and better living conditions. IDA's work covers primary education, basic health services, clean water and sanitation, agriculture, business climate improvements, infrastructure, and institutional reforms.

Q.9 What problems are faced by the recipient companies in foreign technology transfer agreements?

Ans.: International technology transfer is the process by which a technology, expertise, know how or facilities developed by one business organization (MNC in the case of international business) is transferred to another business organization. There are many issues associated with the international technology transfer. The most important international technology transfer issues are; ways of technology acquisition, choice of technology, terms of technology transfer, and creating local capability.

Modes of Foreign Technology Acquisition

One of the major issues in technology transfer relates to the mode of acquisition. Developing new technology may conjure up visions of scientists and product developers working in R&D laboratories. In reality, new technology comes from many different sources, including suppliers, manufactures, users, other industries, universities, government, and MNCs . While every source needs to be explored, each firm has specific sources for most of the new technologies. For example, because of the limited size of most farming operations, innovations in farming mainly come from manufacturers, suppliers, and government agencies. In many industries, however, the primary sources of new technologies are the organizations that use the technology. Broadly the acquisition routes are three:

1. **Internal Technology Acquisition**: This is result of technology development efforts that are initiated and controlled by the firm itself. Internal acquisition requires the existence of a technology capability in the company. This capability could vary from one expert who understands the technology application well enough to manage a project conducted by an outside research and development (R&D) group to full blown R&D department. Internal technology acquisition options have the advantages that any innovation becomes the exclusive property of the firm.

2. **External Acquisition**: External technology acquisition is the process of acquiring developed by others for use in the company. External technology acquisition generally has the advantage of reduced cost and time implement and lower and risks. However, technology available from outside sources was generally developed for different applications.

3. **Combined Sources**: Many of technology acquisition are combinations of external and internet activities. Combined acquisition seek to limitations and external sources, taking advantages of both the actions at the same time.

Making Decision on Technology Transfers

The technology manager must weigh the advantages and limitations of each specific route of technology acquisition and then make a decision about its choice.

Choice of Technology

The second major issue relating to technology transfer is its choice. It is argued that it is the industrialized countries that develop technology, and the know-how thus developed will be mainly useful to them. This means that the rich countries become monopolists in developing, using and managing technology. This also means that the technologies tend to be designed for the production of high quality sophisticated goods on a large scale, using as much as possible capital and higher-level professional skills in place of sheer labor, and replacing natural resources by synthetics.

Terms and Conditions of Technology Transfer

The issue relating to terms and conditions of technology transfer and the question of the suitability of the transferred technology are related to each other. Some of the restrictive conditions, for example, make technology less suitable than it would otherwise be. This clearly applies to such restrictions as prohibitions on the adaptation of the imported technology, preventing the use of imported technology as a basis for local R&D development, and clauses stipulating that the results of local technological research and development based on the imported technology must be transferred to the owner or supplier of the technology.

Creating Local Capability

Creating local technological capability is essential to absorb imported technology. This stems from several reasons. Technology, it may be stated, is not simply a matter of blueprints, which can be transferred without any local effort, to any part of the world, Each time some technology is installed, some local adoption to required, which demands local technological capability. The greater the capacity, the more efficient the resulting operations. The need for local adaptation arises from the fact that the environment in which any technology operates is unique in any situation when it is installed and may even differ radically from the environment for which the know-how was developed in the first place. This is especially true when technology is transferred from MNCs to developing countries.

Barriers to International Technology Transfers

The final international technology issue relates to barriers.

1. A limited general understanding of the concept of technology, and the lack of a consistent framework for its study.
2. Lack of systematic planning for technology transfer in developing countries or misunderstanding of its underlying philosophy.
3. Lack of bilateral scientific/ technology advantages in the process of technology transfer (mutual benefits).
4. Lack of systematic and integrated engineering and socio-economic approach to the technology transfer process.
5. Lack of a relevant quantitative framework/approach to the analysis and evaluation of technology transfer to developing countries.

Q.10 What are the different modes of entry into International Business with advantages and disadvantages?

Ans.:The different types of entry modes, to penetrate a foreign market, arise due to globalization. The latter has drastically changed the way business conduct at international level. Owing to advances in transportation, technology and communications, nowadays practically every business of any size can supply or distribute goods, services, or intellectual property. However, when companies deal with international markets, it is complicated as the companies must be prepared to surmount differences in currency issues, language problems, cultural norms, and legal and regulatory regimes. Only the largest companies have the capital and knowledge to overcome these complications on their own. Many other businesses simply do not have the means to efficiently and affordably deal with all those variables in foreign jurisdictions, without a partner in the host country.

Foreign market entry mode has been defined as an institutional arrangement that makes possible the entry of a company’s products, technology, human skills, management, or other resources into a foreign country. There are a broad variety of different entry modes that can generally be categorized into export entry modes, contractual entry modes and investment entry modes. A distinction is also made between equity based and non-equity based foreign market entry modes. Entry modes vary considerably in terms of not only cost incurred by firms but also benefits and disadvantages provided to firms.

1. Export Entry Modes

Export mode is the most common strategy to use when entering international markets. Exporting is the shipment of products, manufactured in the domestic market or a third country, across national borders to fulfil foreign orders. Shipments may go directly to the end user, to a distributor or to a wholesaler. Exporting is mainly used in initial entry and gradually evolves towards foreign-based operations. Export entry modes are different from contractual entry modes and investment entry modes in a way that they are directly related to manufacturing. Export can be divided into direct and indirect export depending on the number and type of intermediaries.

1.1 Direct Exporting (Sell to Buyers)

Direct exporting means that the firm has its own department of export which sells the products via an intermediary in the foreign economy namely direct agent and direct distributor. This way of exporting provides more control over the international operations than indirect exporting. Hence, this alternative often increases the sales potential and also the profit. There is as well a higher risk involved and more financial and human investments are needed.

There are differences between distributors and agents. The basis of an agent’s selling is commissions, while the distributors’ income is a margin between the prices the distributor buys the product for and the final price to the wholesalers or retailers. In contrast to agents the distributors usually maintain the product range. The agents also do not position the products, and do not hold payments while the distributors do both and as well as provide customers with after sales services. Using agents or distributors to introduce the products to a foreign market will have the advantages that they have knowledge about the market, customs, and have established business contacts.

Advantages of Direct Export:

- Access to the local market experience and contacts to potential customers.
- Shorter distribution chain (compared to indirect exporting).
- More control over marketing mix (especially with agents).
- Local selling support and services available.

Disadvantages of Direct Export:

- Little control over market price because of tariffs and lack of distribution control (especially with distributors).
- Some investment in sales organisation required (contact from home base with distributor or agents).
- Cultural difference, providing communications problems and information filtering (transaction cost occur).
- Possible trade restrictions.

1.2 Indirect Exporting (Sell to Intermediaries)

Indirect exporting is when the exporting manufactures are using independent organisations that are located in the foreign country. The sale in indirect exporting is like a domestic sale, and the company is not really involved in the global marketing, since the foreign company itself takes the products abroad.

Indirect export is often the fastest way for a company to get its products into a foreign market since customer relationships and marketing systems are already established. Through indirect export, it is the third party who will handle the whole transactions. This approach for exporting is useful for companies with limited international expansion objectives and if the sales are primarily viewed as a way of disposing remaining production, or as marginal. The types of indirect export are as follows:

- Export management companies
- Export trading companies
- Export broker agents

Advantages of Indirect Export:

- Limited resources and investment required.
- High degree of market diversification is possible as the company utilize the internationalization of an experienced exporter.
- Minimal risk (market and political).
- NO export experience required.

Disadvantages of Indirect Export:

- No control over marketing mix elements other than product.
- An additional domestic member in the distribution chain may add costs, leaving smaller profit to producer.
- Lack of contact with market (no market knowledge acquired).
- Limited product experience (based on commercial selling).

2. Contractual Entry Modes

Contractual entry modes are long term non-equity alliance between the company that wants to internalize and the company in target country for entry mode. There are many types of contractual entry mode namely technical agreements, Service contracts, managements, contract manufacture, Co-production agreements and others. The most use contractual entry modes are Licensing, Franchising and Turnkey projects which is going to be explained below.

2.1 Licensing

Licensing concerns a product rights or the method of production marketing the product rights. These rights are usually protected by a patent or some other intellectual right. Licensing is when the exporter, the licensor, sells the right to manufacture or sell its products or services, on a certain market area, to the foreign party (the licensee). Based on the agreement, the exporter receives a onetime fee, a royalty or both. The royalty can vary, often between 0.125 and 15 per cent of the sales revenue. In other words in a licensing agreement, the licensor offers propriety assets to the licensee. The latter is in the foreign market and has to pay royalty fees or made a lump sum payment to the licensor for assets like e.g. trademark, technology, patents and know-how. Licensing agreement's content is usually quite complex, wide and periodic.

Other than the intellectual property rights, the licensing contract might also include turning-in unprotected know-how. In this licensing contract, the licensor is committed to give all the information to the licensee about the operation. There are many types of licensing arrangements. In a licensing arrangement, the core is patents and know-how, which can be completed by trademarks, models, copyrights and marketing and management's know-how.

Licensing contract is divided into three main **types of licensing**:

- Product licensing, the idea of licensing is to agree on usage, manufacturing or marketing right of the whole product, a partial product, a component or a product improvement.
- Method licensing, the method licensing agreement turns in the right to use a certain manufacturing method or a part of it and also possibly the right to use model protection.
- Representation licensing agreement is usually done within two companies that are concentrated on project deliveries, in this case the contract will relate to for example projecting systems, sharing manufacturing and marketing procedures.

Advantages of licensing:

- The ability to enter several foreign markets simultaneously by using several licensees or one licensee with access to a regional market, for example the European Union.
- Enter market with high trade barriers.
- It is a non-equity mode, therefore licensor make profit quickly without big investments. The firm does not have to bear the development costs and risks associated with opening a foreign market.
- Licensing also saves marketing and distribution costs, which are left for the licensee.
- Licensing also enables the licensor to get insight of licensee's market knowledge, business relations and cost advantages.
- The licensor decreases the exposure to economic and political instabilities in the foreign country.

- Can be used by inexperienced companies in international business.
- Avoid the cost to customer of shipping large bulky products to foreign markets.

Disadvantages of licensing:

- There is a risk that the licensee may become a competitor once the term of the agreement concludes, by using the licensor's technology and taking their customers.
- Not every company can use this entry model unless in possess certain type of intellectual property right or the name of the company is of enough interest to the other party.
- The licensor's income from royalties is not as much as would be gained when manufacturing and marketing the product themselves.
- There is another risk that the licensee will under-report sales in order to lower the royalty payment

2.2 Franchising

Franchising is a form of licensing, which is most often used as market entry modes for services such as fast foods, business to-consumer services and business-to-business services. Franchising is somewhat like licensing where the franchiser gives the franchisee right to use trademarks, know-how and trade name for royalty. Franchising does not only cover products (like licensing) but it usually contains the entire business operation including products, suppliers, technological know-how, and even the look of the business. The normal time for a franchisee agreement is 10 years and the arrangement may or may not include operation manuals, marketing plan and training and quality monitoring.

The idea of the franchising chain is that all parties use a uniform model in order to make the customer of a franchising chain may feel that he is dealing with franchisor's company itself. In fact, regarding to the law, the customer is dealing with independents companies that have even have different owners. Franchising agreement usually includes training and offers management services, as the operations are done in accordance with the franchisor's directions. Franchising has especially spread to areas, where certain selling style, name and the quality of service are crucial.

Franchisee has different customs on the payments to the franchisor. Normally when a company joins the franchising chain it pays a one-time joining fee. As the operation goes on, the franchisee pays continues service fess that usually are based on the sales volumes of the franchisee company.

Advantages of franchising:

- Same as licensing above.
- Like with licensing, the franchisor gain local knowledge of the market place and in this case the domestic franchisee is highly motivated.
- The fast expansion to a foreign market with low capital expenditures, standardized marketing, motivated franchisees and taking of low political risk.

Disadvantages of franchising:

- Same as in licensing above.
- Since franchising requires more capital initially, it is more suitable to large and well-established companies with good brand images. So small firm get often problem to use this entry modes.
- Home country franchisor does not have daily operational control of foreign store. There is a risk that franchisees may not perform at desired quality level.
- more responsibilities, more complicated and greater commitment to foreign firm than licensing or exports.

2.3 Turnkey Project

In turnkey projects, the contractor agrees to handle every detail of the project for a foreign client, including the training of operating personnel. At completion of the contract, the foreign client is handed the “key” to a plant that is ready for full operation. Hence we get the term turnkey. The company, who make the turnkey project, works overseas to build a facility for a local private company or agency of a state, province or municipality. This is actually a means of exporting process technology to another country. Typically these projects are large public sector project such as urban transit stations, commercial airport and telecommunications infrastructure.

Sometimes a turnkey project such as an urban transit system takes the form of a built-operate-transfer or a built-own-operate-transfer project. A sophisticated type of counter trade, in which the builder operates and may also own a public sector project for a specified period of years before turning it over to the government.

Advantages of Turnkey Projects:

- They are a way of earning great economic returns from the know-how required to assemble and run a technologically complex process, for example contractor must train and prepare owner to operate facility.
- Turnkey projects may also make sense in a country where the political and economic environment is such that a longer-term investment might expose the firm to unacceptable political and/or economic risk.
- Less risky than conventional FDI.

Disadvantages of Turnkey Projects:

- The firm that enters into a turnkey deal will have no long-term interest in the foreign country.
- The firm that enters into a turnkey project may create a competitor. If the firm's process technology is a source of competitive advantage, then selling this technology through a turnkey project is also selling competitive advantage to potential and/or actual competitors.

3. Investment Entry Modes

Investment entry modes are about acquiring ownership in a company that is located in the foreign market. In other word, the activities within this category involve ownership of production units or other facilities in the overseas market, based on some sort of equity investment. Several companies want to have ownership in some or all of their international ventures. This can be achieved by joint ventures (equity based), acquisitions, green-field investment.

3.1 Joint Ventures

A joint venture is a contractual arrangement whereby a separate entity is created to carry on trade or business on its own, separate from the core business of the participants. A joint venture occurs when new organizations are created, jointly owned by both partners. At least one of these partners must be from another country than the rest and the location of the company must be outside of at least one party's home country.

Typically, a company forming a joint venture will often partner with one of its customers, vendors, distributors, or even one of its competitors. These businesses agree to exchange resources, share risks, and divide rewards from a joint enterprise, which is usually physically located in one of the partners' jurisdictions. The contributions of joint venture partners often differ. The local joint venture partner will frequently supply physical space, channels of distribution, sources of supply, and on-the ground knowledge and information. The other partner usually provides cash, key marketing personnel, certain operating personnel, and intellectual property rights.

Joint venture is an equity entry mode. Ownership of the venture may be 50% for each party, or may be other proportions with one party holding the majority share. In order to make a joint venture remain successful on a long-term-basis, there must be willingness and careful advance planning from both parties to renegotiate the venture terms as soon as possible. When multiple partners participate in the joint venture, the venture maybe called a consortium.

Advantages of a Joint venture:

- Joint venture makes faster access to foreign markets. The local partner to the joint venture may have already established itself in the marketplace and often will have already obtained, or have access to, government contacts, lines of credit, regulatory approvals, scarce supplies and utilities, qualified employees, and cultural knowledge. Upon formation of the Joint venture, the non-resident partner has access to the local partner's pre-established ties to the local market.
- When the development costs and/or risks of opening a foreign market are high, a firm might gain by sharing these costs and/or risks with a local partner. In many countries, political considerations make joint ventures the only feasible entry mode.
- The reputation of the resident partner gives the joint venture credibility in the local marketplace, especially with existing key suppliers and customers.

Disadvantages of Joint venture:

- Shared ownership can lead to conflicts and battles for control if goals and objectives differ or change over time.
- Joint venture can foreclose other opportunities for entry into a foreign marketplace.
- It can be difficult for a joint venture to independently obtain financing, particularly debt financing. That is, in part, because Joint venture are usually finite in their duration and lack permanence. Thus, the parents of a joint venture should expect either to adequately capitalise the entity up front or to guarantee loans made to the joint venture.
- Another potential disadvantage of joint venture a firm that enters into a joint venture risks giving control of its technology to its partner and there is the possibility you might wind up turning your own joint venture partner into a competitor. However, this danger can be ameliorated by non-competition, non-solicitation, and confidentiality provisions in the joint venture agreement.

3.2 Strategic Alliances

Strategic alliance is when the mutual coordination of strategic planning and management that enable two or more organisations to align their long term goals to the benefit of each organisation and generally the organisations remain independent. Strategic alliances are cooperative relationships on different levels in the organisation. Licensing, joint ventures, research and development partnerships are just few of the alliances possible when exploring new markets. In other words, strategic alliances can be described as a partnership between businesses with the purpose of achieving common goals while minimizing risk, maximizing leverage and benefiting from those facets of their operations that complement each other's. A strategic alliance might be entered into for a one-off activity, or it might focus on just one part of a business, or its objective might be new products jointly developed for a particular market.

Generally, each company involved in the strategic alliance will benefit by working together. The arrangement they enter into may not be as formal as a joint venture agreement. Alliances are usually accomplished with a written contract, often with agreed termination points, and do not result in the creation of an independent business organisation. The objective of a strategic alliance is to gain a competitive advantage to a company's strategic position.

Strategic alliances have increased a great deal since globalization became an opportunity for companies.

There are different types of strategic alliances:

1. Marketing alliances where the companies jointly market products that are complementary produced by one or both of the firms.
2. A promotional alliance refers to the collaboration where one firm agrees to join in promotion for the other firm's products.
3. Logistics alliance is one more type of cooperation where one company offers, to another company, distribution services for their products.
4. Collaborations between businesses arise when the firms do not for example have the capacity or the financial means to develop new technologies.

Advantages of Strategic alliance:

- Increased leverage – Strategic alliances allow you to gain greater results from your company's core strengths.
- Risk sharing – A strategic alliance with an international company will help to offset your market exposure and allow you to jointly exploit new opportunities.
- Opportunities for growth – Strategic alliances can create the means by which small companies can grow. By "marrying" your company's product to somebody else's distribution, or your R&D to a partner's production skills, you may be able to expand your business overseas more quickly and more cheaply than by other means.
- Greater responsiveness – By allowing you to focus on developing your core strengths, strategic alliances provide the ability to respond more quickly to change and opportunity.

Disadvantages of Strategic alliance:

- High commitment — time, money, people.
- Difficulty of identifying a compatible partner.
- Potential for conflict between the partners.

- A small company risks being subsumed by a larger partner.
- Strategic priorities change over time.
- Political risk in the country where the strategic alliance is based.
- If the relationship breaks down, the cost/ownership of market information, market intelligence and jointly developed products can be an issue.

3.3 Wholly Owned Subsidiaries

A company will use a wholly owned subsidiary when the company wants to have 100 percent ownership. This is a very expensive mode where the firm has to do everything itself with the company's financial and human resources. Thus, more it is the large multinational corporations that could select this entry mode rather than small and medium sized enterprises. A wholly owned subsidiary could be divided in two separate ways Greenfield investment and Acquisitions.

3.4 Greenfield Investment

Greenfield investment is a mode of entry where the firm starts from scratch in the new market and opens up own stores while using their expertise. It involves the transfer of assets, management of talent, and proprietary technology and manufacturing know-how. It requires the skill to operate and manage in another culture with different business practices, labor forces and government regulations. The degree of risk varies according to the political and economic conditions in the host country. Despite these risks many companies prefer to use this mode of entry because of its total control over strategy, operation and profits.

Advantages of Greenfield investment:

- A wholly owned subsidiary gives a firm the tight control over operations in different countries that are necessary for engaging in global strategic coordination (i.e., using profits from one country to support competitive attacks in another).
- A wholly owned subsidiary maybe required if a firm is trying to realize location and experience curve economies.
- Local production lessens transport/import-related costs, taxes & fees.
- Availability of goods can be guaranteed, delays may be eliminated.

- More uniform quality of product or service.
- Local production says that the firm is willing to adapt products & services to the local customer requirements.

Disadvantages of Greenfield investment:

- Higher risk exposure namely political risk and economic risk.
- Heavier pre-decision information gathering & research evaluation.
- "Country-of-origin" effects can be lost by manufacturing elsewhere.
- Establishing a wholly owned subsidiary is generally the most costly method of serving a foreign market.

3.5 Acquisitions

Acquisition is a very expensive mode of entry where the company acquirers or buys an already existing company in the foreign market. Acquisition is one way of entering a market by buying an already existing brand instead of trying to compete and launch the company's products on the market and thereby lowering the chance of a profitable product. Acquisition is a risky alternative though, because the culture of the corporation is hard to transfer to the acquired firm. Most important, it is a very expensive alternative and both great profit and great losses could be the end product of this entry mode.

Advantages of Acquisitions:

- They are quick to execute.
- Acquisitions enable firms to pre-empt their competitors.
- Managers may believe acquisitions are less risky than green-field ventures.

Disadvantages of Acquisitions:

- The acquiring firms often overpay for the assets of the acquired firm.
- There may be a clash between the cultures of the acquiring and acquired firm.
- Attempts to realize synergies by integrating the operations of the acquired and acquiring entities often run into roadblocks and take much longer than forecast.
- There is inadequate pre-acquisition screening.

Q.11 Describe Heckscher Ohlin theory of international trade.

Ans.: The classical comparative cost theory did not satisfactorily explain why comparative costs of producing various commodities differ as between different countries.

The new theory propounded by Heckscher and Ohlin went deeper into the underlying forces which cause differences in comparative costs.

They explained that it is differences in factor endowments of different countries and different factor-proportions needed for producing different commodities that account for difference in comparative costs. This new theory is therefore-called Heckscher-Ohlin theory of international trade.

Since there is wide agreement among modern economists about the explanation of international trade offered by Heckscher and Ohlin this theory is also called modern theory of international trade. Further, since this theory is based on general equilibrium analysis of price determination, this is also known as General Equilibrium Theory of International Trade.

It is worthwhile to note that, contrary to the viewpoint of classical economists, Ohlin asserts that there does not exist any basic difference between the domestic (inter-regional) trade and international trade. Indeed, according to him, international trade is only a special case of inter-regional trade.

Thus, Ohlin asserts that it is not the cost of transport which distinguishes international trade from domestic trade, for transport cost is present in the domestic inter-regional trade. Trade because currencies of different countries are related to each other through foreign exchange rates which determine the value or purchasing power of different currencies.

Ohlin, therefore, regards different nations as mere regions separated from each other by national frontiers, different languages and customs, etc. But these differences are not such that prevent the occurrence of trade between nations. He, therefore, asserts that general theory of value which can be applied to explain interregional trade can also be applied equally well to explain international trade.

According to general equilibrium theory of value, relative prices of commodious are determined by demand for and supply of them. In the long-run equilibrium under conditions of perfect competition, relative prices of commodities, as determined by demand and supply, are equal to average cost of production.

The cost of production of a commodity, as is well-known, depends upon the prices paid for the factors of production employed in the production of that commodity. Factor prices in turn determine the incomes of the factor owners and hence the demand for goods.

Thus trade is mutual inter-dependence between prices of commodities and prices of factors, and the exchange of goods and factors between demand for commodities and demand for factors. This is how general equilibrium theory of value explains prices of commodities and factors between different individuals in a region or a country.

However, according to Ohlin, the classical analysis presumes it to apply to a single market in a country and ignores the space factor whose introduction is crucial for explanation of trade between regions. The factors which explain the trade between different regions also explain the trade between different nations or countries as well.

Heckscher-Ohlin Theorem:

According to Ricardo and other classical economists, international trade is based on differences in comparative costs. It is important to note that Heckscher and Ohlin agreed with this fundamental proposition and only elaborated this by explaining the factors which cause differences in comparative costs of commodities between different regions or countries. Ricardo and others who followed him explained differences in comparative costs as arising from differences in skill and efficiency of labour alone.

This is not a satisfactory explanation of differences in comparative cots. Ohlin pointed out more significant factors, namely, differences in factor endowments of the nations and difference in factor proportions of producing different commodities, which account for differences in comparative costs and hence from the ultimate basis of inter-regional or international trade.

Thus, Heckscher-Ohlin theory does not contradict and supplant the comparative cost theory but supplements it by offering sufficiently satisfactory explanation of what causes differences in comparative costs.

According to Ohlin, the underlying forces behind differences in comparative costs are twofold:

1. The different regions or countries have different factor endowments.

2. The different goods require different factor-proportions for their production.

It is a well-known fact that various countries (regions) are differently endowed with productive factors required for production of goods. Some countries posses relatively more capital, some relatively more labour, and some relatively more land.

The factor which is relatively abundant in a country will tend to have a lower price and the factor which is relatively scarce will tend to have a higher price. Thus, according to Ohlin, factor endowments and factor prices are intimately associated with each other.

Suppose K stands for the availability or supply of capital in a country, L for that of labour and PK for price of capital and PL for the price of labour. Further, take two countries A and B; in country A capital is relatively abundant and labour is relatively scarce. The reverse is the case in country B. Given these factor-endowments, in country A capital will be relatively cheaper.

Thus the differences in factor endowments cause differences in factor prices and therefore account for differences in comparative costs of producing different commodities. Together with the difference in factor-endowments, differences in factor proportions required for the production of different commodities also constitute an important force underlying differences in comparative costs as between different countries.

Some commodities are such that their production requires relatively more capital than other factors; they are therefore called capital- intensive commodities. Still other commodities require relatively more land than capital and labour and are therefore called land-intensive commodities.

These differences in factor-productions (or what is also called differences in factor-intensities) needed for the production of different commodities account for differences in comparative costs of producing different commodities. The differences in comparative costs of producing different commodities lead to the differences in market prices of different commodities in different countries.

It follows from above that some countries have a comparative advantage in the production of a commodity for which the required factors are found in abundance and comparative disadvantage in the production of a commodity for which the required factors are not available in sufficient quantities.

Critical Evaluation of Heckscher-Ohlin Theory of International Trade:

Heckscher and Ohlin theory has made invaluable contributions to the explanation of international trade. Though this theory accepts comparative costs as the basis of international trade, it makes several improvements in the classical comparative cost theory.

First, it rescued the theory of international trade from the grip of labour theory of value and based it on the general equilibrium theory of value according to which both demand and supply conditions determine the prices of goods and factors.

Second, Heckscher-Ohlin theory removes the difference between international trade and inter-regional trade, for the factors determining the two are the same. Third, a significant improvement is the explanation offered for difference in comparative costs of commodities between trading countries.

Ricardo thought that the differences in labour efficiency alone accounted for the differences in comparative costs. According to Heckscher and Ohlin, as seen above, the differences in factor-endowments of the countries and also the differences in factor proportions required for producing various commodities explain differences in comparative costs and hence from the ultimate basis of international trade.

These reasons advanced by Heckscher and Ohlin for differences in comparative costs of commodities in different countries are considered to be broadly true.

Fourth, as has been pointed out by Prof. Lancaster, Heckscher-Ohlin model provides a satisfactory picture of the future of foreign trade. According to the Ricardian theory, international trade exists because of differences in skill and efficiency of labour alone.

This implies that as there is transmission of knowledge between the countries so that they master the techniques and skills of each other, then differences in comparative costs would cease to exist and as a result international trade would come to an end. But this is not likely to occur despite the fact that transmission of knowledge and techniques has greatly increased these days.

Heckscher and Ohlin explain that international trade is due to the differences in factor-endowments (i.e. differences in supplies of all factors and not only of labour efficiency) and different factor-proportions required for different commodities. Since the factors such as land

and other natural resources lack mobility, international trade would not cease to exist even if there is perfect transmission of knowledge between the countries.

Despite the above merits of Heckscher-Ohlin theory, it has some shortcomings which are briefly discussed below:

1. Leontief Paradox:

In the Heckscher-Ohlin theory it has been assumed that relative factor prices reflect the relative supplies of factors. That is, a factor which is found in abundance in a country will have a lower price and vice versa. This means that in the determination of factor-prices supply outweighs demand.

But if demand for factors prevails over supply, then factor prices so determined would not conform to the supplies of factors. Thus, if in a country there is abundance of capital and scarcity of labour in physical terms but there is relatively much greater demand for capital, then the price of capital would be relatively higher to that of labour.

Then, under these circumstances, contrary to its factor-endowments, the country many export labour-intensive goods and import capital-intensive goods. Perhaps it is this which lies behind the empirical findings by Leontief that though America is a capital abundant and labour-scarce country, in the structure of its imports capital-intensive goods are relatively greater whereas in the structure of its exports labour- intensive goods are relatively greater. As this is contrary to the popularly held view, this is known as Leontief Paradox.

2. Difference in Preferences or Demands for Goods:

Against Hecksher-Ohlin theorem, it has also been pointed out that differences in tastes and preferences for goods or, to put it in other words, differences in pattern of demand also give rise to trade between the countries. This is because under differences in demand or preferences for goods, the commodity price-ratios would not conform to the cost-ratios based on factor endowments.

Let us take an extreme example. Suppose there are two countries A and B with same factor-endowments. According to Heckscher-Ohlin theorem, with same factor endowments cost-ratio of producing the two commodities and hence the commodity price ratio would be the same.

Hence there is no possibility of trade between the two countries on the basis of Heckscher-Ohlin theorem. However, trade between the two countries is possible if the demand pattern or preferences of the people of the two countries for wheat and rice greatly differ.

Q.12 Discuss the meaning and importance of International competitive advantage. Elucidate your answer with suitable example.

Ans.: Competitive advantage is a favourable position a business holds in the market which results in more customers and profits. It is what makes the brand, product, or service to be perceived as superior to the other competitors.

A brand can create a competitive advantage if it is clear about these three determinants:

- **Target Market:** The perfect knowledge of who buys from the brand, what they desire from the brand, and who could start buying from the brand if certain strategies are executed is essential for the business to create a competitive advantage over the competitors.
- **Competition:** The business should have an answer to these two questions: Who is the present competition and who could be a prospective competition in the coming years? What are the production, pricing, marketing and branding strategies they're using to develop and market their products?
- **USP:** The unique selling proposition is usually the chief trigger of the competitive advantage and separates the business from the competition. It is the reason why the customers choose the concerned brand over others. The USP should be clear to both the business and the customers in order for a brand to create a competitive advantage.

Types Of Competitive Advantages

Even though the definition of competitive advantage remains the same, different marketers have stated different types of competitive advantages.

Michael Porter, a Harvard University graduate, wrote a book in 1985 named – Competitive Advantage: Creating and Sustaining Superior Performance, which identified three strategies which businesses can use to tackle competition and create a sustainable competitive advantage. According to him, these three generic strategies are:

- **Cost Leadership:** It is a strategy where a business produces the same quality of the product as of the competitors' but sells it at a lower price. Cost leadership is achieved by continuously improving the operational efficiency (using less but more efficient workers or outsourcing to places where the costs are less), and getting the advantage of economies of scale (in the case of bigger businesses like Aldi, Walmart, etc.).
- **Differentiation:** A differential advantage is when the product or service offered by the business deliver different benefits than the products offered by the competitors. It involves defining the offering's unique position in the market by explaining the unique benefit it provides to the target group. This unique position can refer to the high quality, better delivery, more features, or any other specific attribute of the product or service. Differentiation is usually achieved by innovation and big innovation usually result in disruption of the industry and creating a sustainable competitive advantage for the business. An example of the creation of differential advantage through disruption is Uber. It differentiated the service it was offering by providing it on demand.
- **Focus:** Also called the segmentation strategy, the focus strategy involves targeting a pre-defined segment rather than everyone. It involves understanding the target market better than everyone else and use the data for better offering crafted according to the target market's needs. This strategy was initially used by small businesses to compete with the big companies, but with the advent of the internet and the introduction of microtargeting, even big businesses like Amazon, Facebook, & Google use the focus strategy to differentiate themselves from others.

However, modern competitive advantages aren't limited to these three. A strong brand, big pockets, network effect, patents, and trademarks are few other competitive advantage strategies businesses use to outdo their competitors.

- **Brand:** Brand loyalty is one of the biggest competitive advantages any business can capitalize on. An effective brand image and positioning strategy leads to customers becoming loyal to the brand and even paying more than usual to own the brand's product. Apple is a perfect example when it comes to brand-related competitive advantage.
- **Big Pockets:** Some companies enter the market with huge funding and disrupt the ecosystem by providing some really enticing offers or providing the products at really

low prices. This acts as a competitive advantage as other companies often fail to respond to such tactics.

- **Network Effect:** The network effect makes the good or service more valuable when more people use it. For example, Whatsapp enjoys a competitive advantage over other players because its users are reluctant to try other applications as most of their contacts use Whatsapp.
- **Barriers to Entry & Competition:** Businesses often make use of natural and artificial barriers to entry like Government policies, access to suppliers, patents, trademarks, etc. to stop others from becoming a close competition.

Competitive Advantage Examples

Google

Google enjoys the competitive advantage of being the only effective search engine over the internet. The company was able to reach this height because of its size, innovation, market position, and the network effect.

Facebook

With its biggest competitor, Google plus, not even being close to it, Facebook surely enjoys a competitive advantage over its competitors. One of the biggest reason is the network effect, but other reasons which led to this success are constant innovation, the advertisement (free) business model, and the personalized content.

LinkedIn

LinkedIn is not a conventional social media network. It is focused on the business professionals and enjoys a competitive advantage for being a niche social media network.

Q.13 What are trade barriers? Give their classification and state their relative merits and demerits.

Ans.: Trade barriers are restrictions imposed on movement of goods between countries. Trade barriers are imposed not only on imports but also on exports. The trade barriers can be broadly divided into two broad groups: (a) Tariff Barriers, and (b) Non-tariff Barriers.

TARIFF BARRIERS

Tariff is a customs duty or a tax on products that move across borders. The most important of tariff barriers is the customs duty imposed by the importing country. A tax may also be imposed by the exporting country on its exports. However, governments rarely impose tariff on exports, because, countries want to sell as much as possible to other countries. The main important tariff barriers are as follows:

(1) Specific Duty: Specific duty is based on the physical characteristics of goods. When a fixed sum of money, keeping in view the weight or measurement of a commodity, is levied as tariff, it is known as specific duty.

For instance, a fixed sum of import duty may be levied on the import of every barrel of oil, irrespective of quality and value. It discourages cheap imports. Specific duties are easy to administer as they do not involve the problem of determining the value of imported goods. However, a specific duty cannot be levied on certain articles like works of art. For instance, a painting cannot be taxed on the basis of its weight and size.

(2) Ad valorem Duty: These duties are imposed "according to value." When a fixed percent of value of a commodity is added as a tariff it is known as ad valorem duty. It ignores the consideration of weight, size or volume of commodity.

The imposition of ad valorem duty is more justified in case of those goods whose values cannot be determined on the basis of their physical and chemical characteristics, such as costly works of art, rare manuscripts, etc. In practice, this type of duty is mostly levied on majority of items.

(3) Combined or Compound Duty: It is a combination of the specific duty and ad valorem duty on a single product. For instance, there can be a combined duty when 10% of value (ad valorem) and Re 1/- on every meter of cloth is charged as duty. Thus, in this case, both duties are charged together.

(4) Sliding Scale Duty: The import duties which vary with the prices of commodities are called sliding scale duties. Historically, these duties are confined to agricultural products, as their prices frequently vary, mostly due to natural factors. These are also called as seasonal duties.

(5) Countervailing Duty: It is imposed on certain imports where products are subsidised by exporting governments. As a result of government subsidy, imports become more cheaper than domestic goods. To nullify the effect of subsidy, this duty is imposed in addition to normal duties.

(6) Revenue Tariff: A tariff which is designed to provide revenue to the home government is called revenue tariff. Generally, a tariff is imposed with a view of earning revenue by imposing duty on consumer goods, particularly, on luxury goods whose demand from the rich is inelastic.

(7) Anti-dumping Duty: At times, exporters attempt to capture foreign markets by selling goods at rock-bottom prices, such practice is called dumping. As a result of dumping, domestic industries find it difficult to compete with imported goods. To offset anti-dumping effects, duties are levied in addition to normal duties.

(8) Protective Tariff: In order to protect domestic industries from stiff competition of imported goods, protective tariff is levied on imports. Normally, a very high duty is imposed, so as to either discourage imports or to make the imports more expensive as that of domestic products.

Note: Tariffs can be also levied on the basis of international relations. This includes single column duty, double column duty and triple column duty.

NON-TARIFF BARRIERS

A non tariff barrier is any barrier other than a tariff, that raises an obstacle to free flow of goods in overseas markets. Non-tariff barriers, do not affect the price of the imported goods, but only the quantity of imports. Some of the important non-tariff barriers are as follows:

(1) Quota System: Under this system, a country may fix in advance, the limit of import quantity of a commodity that would be permitted for import from various countries during a given period. The quota system can be divided into the following categories:

(a) Tariff/Customs Quota (b) Unilateral Quota

(c) Bilateral Quota (d) Multilateral Quota

- **Tariff/Customs Quota:** Certain specified quantity of imports is allowed at duty free or at a reduced rate of import duty. Additional imports beyond the specified quantity are permitted only at increased rate of duty. A tariff quota, therefore, combines the features of a tariff and an import quota.
- **Unilateral Quota:** The total import quantity is fixed without prior consultations with the exporting countries.
- **Bilateral Quota:** In this case, quotas are fixed after negotiations between the quota fixing importing country and the exporting country.
- **Multilateral Quota:** A group of countries can come together and fix quotas for exports as well as imports for each country.

(2) Product Standards: Most developed countries impose product standards for imported items. If the imported items do not conform to established standards, the imports are not allowed. For instance, the pharmaceutical products must conform to pharmacopoeia standards.

(3) Domestic Content Requirements: Governments impose domestic content requirements to boost domestic production. For instance, in the US bailout package (to bailout General Motors and other organisations), the US Govt. introduced 'Buy American Clause' which means the US firms that receive bailout package must purchase domestic content rather than import from elsewhere.

(4) Product Labelling: Certain nations insist on specific labeling of the products. For instance, the European Union insists on product labeling in major languages spoken in EU. Such formalities create problems for exporters.

(5) Packaging Requirements: Certain nations insist on particular type of packaging materials. For instance, EU insists on recyclable packing materials, otherwise, the imported goods may be rejected.

(6) Consular Formalities: A number of importing countries demand that the shipping documents should include consular invoice certified by their consulate stationed in the exporting country.

(7) State Trading: In some countries like India, certain items are imported or exported only through canalising agencies like MMTC. Individual importers or exporters are not allowed to import or export canalised items directly on their own.

(8) Preferential Arrangements: Some nations form trading groups for preferential arrangements in respect of trade amongst themselves. Imports from member countries are given preferences, whereas, those from other countries are subject to various tariffs and other regulations.

(9) Foreign Exchange Regulations: The importer has to ensure that adequate foreign exchange is available for import of goods by obtaining a clearance from exchange control authorities prior to the concluding of contract with the supplier.

(10) Other Non-Tariff Barriers: There are a number of other non – tariff barriers such as health and safety regulations, technical formalities, environmental regulations, embargoes, etc.

Q.14 Discuss the role of IMF and world bank in the growth of internal business.

Ans.: The World Bank and the IMF, often called the Bretton Woods Institutions, are twin intergovernmental pillars supporting the structure of the world's economic and financial order. Both have taken on expanding roles, and there have been renewed calls for additional expansion of their responsibilities, particularly in the continuing absence of a single global monetary agreement. The two institutions may seem to have confusing or overlapping functions. However, while some similarities exist, they are two distinct organizations with different roles.

The purposes of the International Monetary Fund are as follows:

1. To promote international monetary cooperation through a permanent institution which provides the machinery for consultation and collaboration on international monetary problems.
2. To facilitate the expansion and balanced growth of international trade, and to contribute thereby to the promotion and maintenance of high levels of employment and real income and to the development of the productive resources of all members as primary objectives of economic policy.

3. To promote exchange stability, to maintain orderly exchange arrangements among members, and to avoid competitive exchange depreciation.
4. To assist in the establishment of a multilateral system of payments in respect of current transactions between members and in the elimination of foreign exchange restrictions which hamper the growth of world trade.
5. To give confidence to members by making the general resources of the Fund temporarily available to them under adequate safeguards, thus providing them with opportunity to correct maladjustments in their balance of payments without resorting to measures destructive of national or international prosperity.

The World Bank came into existence in 1944 at the Bretton Woods conference. Its formal name is the International Bank for Reconstruction and Development (IBRD), which clearly states its primary purpose of financing economic development. The World Bank's first loans were extended during the late 1940s to finance the reconstruction of the war-ravaged economies of Western Europe. When these nations recovered some measure of economic self-sufficiency, the World Bank turned its attention to assisting the world's poorer nations. The World Bank has one central purpose: to promote economic and social progress in developing countries by helping raise productivity so that their people may live a better and fuller life.

Today, the World Bank consists of two main bodies, the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA), established in 1960. The World Bank is part of the broader World Bank Group, which consists of five interrelated institutions: the IBRD; the IDA; the International Finance Corporation (IFC), which was established in 1956; the Multilateral Investment Guarantee Agency (MIGA), which was established in 1988; and the International Centre for Settlement of Investment Disputes (ICSID), which was established in 1966. These additional members of the World Bank Group have specific purposes as well. The IDA typically provides interest-free loans to countries with sovereign guarantees. The IFC provides loans, equity, risk-management tools, and structured finance. Its goal is to facilitate sustainable development by improving investments in the private sector. The MIGA focuses on improving the foreign direct investment of developing countries. The ICSID provides a means for dispute resolution between governments and private investors with the end goal of enhancing the flow of capital.

The current primary focus of the World Bank centers on six strategic themes:

1. **The poorest countries.** Poverty reduction and sustainable growth in the poorest countries, especially in Africa.
2. **Postconflict and fragile states.** Solutions to the special challenges of postconflict countries and fragile states.
3. **Middle-income countries.** Development solutions with customized services as well as financing for middle-income countries.
4. **Global public goods.** Addressing regional and global issues that cross national borders, such as climate change, infectious diseases, and trade.
5. **The Arab world.** Greater development and opportunity in the Arab world.
6. **Knowledge and learning.** Leveraging the best global knowledge to support development.

The World Bank provides low-interest loans, interest-free credits, and grants to developing countries. There's always a government (or "sovereign") guarantee of repayment subject to general conditions. The World Bank is directed to make loans for projects but never to fund a trade deficit. These loans must have a reasonable likelihood of being repaid. The IDA was created to offer an alternative loan option. IDA loans are free of interest and offered for several decades, with a ten-year grace period before the country receiving the loan needs to begin repayment. These loans are often called soft loans.

Q.15 What are the major issues in global human resources management? Explain the multicultural management with examples.

Ans.: The major issues in global human resources management

Training and Development:

The transfer of training techniques across cultures is fraught with difficulties for both trainers and trainee. Trainers working within multicultural setting need to be especially sensitive to their trainees' needs and socio-cultural learning backgrounds. Both trainers and participants in the workplace bring to training courses a baggage of past and present educational experience that impact their reaction to organizational learning approaches.

Recruitment and selection:

Due to globalization many organization begin with the simple but difficult situation of having multiple candidates for each international position instead of a single choice. International human resource professionals often report that it is difficult enough to identify one employee, who can perform the international job, will accept the assignment.

Most international selections are still being made almost exclusively by line management, who do not share this decision – making process with IHR. This can mean that IHR is seen only as policy implementers and not as strategic business partners. Best practice here is for IHR to employ a value-added assessment selection system, to be consulted reviewed and included in these decisions.

Career planning and management :

In these days of globalization, rapid change, mergers and acquisitions is very difficult to accomplish career planning and management.

In fact, many excellent international assignment candidates are demanding to know what is next for them if they accept the international assignment. They want to ensure the company will value their international experience and, to the extent possible, help them with next steps in their career.

Compensation and benefits policies:

International assignment compensation and benefit policies vary widely across organizations. Many of them offer very lucrative packages; apparently making the assumption that financial incentive leads to superior international performance. The risk here is that this type of policy may attract those who see the financial reward as the single or most important motivation for the international assignment. The best practice is to seek candidates who see the financial reward as the single or most important motivation for the international assignment. The best practice is to seek candidates who balance financial motives with those of career development and international experience.

Multicultural Management:

As globalization has increased over the last decades, workplaces have felt the impact of working within multicultural teams. The earlier section on team diversity outlined some of the highlights and benefits of working on diverse teams, and a multicultural group certainly qualifies as diverse. However, there are some key practices that are recommended to those who are leading multicultural teams so that they can parlay the diversity into an advantage and not be derailed by it.

People may assume that communication is the key factor that can derail multicultural teams, as participants may have different languages and communication styles.

The first difference is direct versus indirect communication. Some cultures are very direct and explicit in their communication, while others are more indirect and ask questions rather than pointing our problems. This difference can cause conflict because, at the extreme, the direct style may be considered offensive by some, while the indirect style may be perceived as unproductive and passive-aggressive in team interactions.

The second difference that multicultural teams may face is trouble with accents and fluency. When team members don't speak the same language, there may be one language that dominates the group interaction—and those who don't speak it may feel left out. The speakers of the primary language may feel that those members don't contribute as much or are less competent. The next challenge is when there are differing attitudes toward hierarchy. Some cultures are very respectful of the hierarchy and will treat team members based on that hierarchy. Other cultures are more egalitarian and don't observe hierarchical differences to the same degree. This may lead to clashes if some people feel that they are being disrespected and not treated according to their status. The final difference that may challenge multicultural teams is conflicting decision-making norms. Different cultures make decisions differently, and some will apply a great deal of analysis and preparation beforehand. Those cultures that make decisions more quickly (and need just enough information to make a decision) may be frustrated with the slow response and relatively longer thought process.

These cultural differences are good examples of how everyday team activities (decision-making, communication, interaction among team members) may become points of contention for a multicultural team if there isn't adequate understanding of everyone's culture. The authors propose that there are several potential interventions to try if these conflicts arise. One simple intervention is adaptation, which is working with or around differences. This is best used when team members are willing to acknowledge the cultural differences and learn how to work with them. The next intervention technique is structural intervention, or reorganizing to reduce friction on the team. This technique is best used if there are unproductive subgroups or cliques within the team that need to be moved around. Managerial intervention is the technique of making decisions by management and without team involvement. This technique is one that should be used sparingly, as it essentially shows that the team needs guidance and can't move forward without management getting involved. Finally, exit is an intervention of last resort, and is the voluntary or involuntary removal of a team member. If the differences and challenges have proven to be so great that an individual on the team can no longer work with the team productively, then it may be necessary to remove the team member in question.

There are some people who seem to be innately aware of and able to work with cultural differences on teams and in their organizations. These individuals might be said to have cultural intelligence. Cultural intelligence is a competency and a skill that enables individuals to function effectively in cross-cultural environments. It develops as people become more aware of the influence of culture and more capable of adapting their behavior to the norms of other cultures. In the IESE Insight article entitled "Cultural Competence: Why It Matters and How You Can Acquire It" (Lee and Liao, 2015), the authors assert that "multicultural leaders may relate better to team members from different cultures and resolve conflicts more easily.

Their multiple talents can also be put to good use in international negotiations." Multicultural leaders don't have a lot of "baggage" from any one culture, and so are sometimes perceived as being culturally neutral. They are very good at handling diversity, which gives them a great advantage in their relationships with teammates.

In order to help employees become better team members in a world that is increasingly multicultural, there are a few best practices that the authors recommend for honing cross-cultural skills. The first is to "broaden your mind"—expand your own cultural channels (travel, movies, books) and surround yourself with people from other cultures. This helps to raise your own awareness of the cultural differences and norms that you may encounter. Another best practice is to "develop your cross-cultural skills through practice" and experiential learning. You may have the opportunity to work or travel abroad—but if you don't, then getting to know some of your company's cross-cultural colleagues or foreign visitors will help you to practice your skills. Serving on a cross-cultural project team and taking the time to get to know and bond with your global colleagues is an excellent way to develop skills. In my own "past life," I led a global human resources organization, and my team included employees from China, India, Brazil, Hungary, the Netherlands, and the United States. We would have annual meetings as a global HR team, and it was so rewarding to share and learn about each other's cultures. We would initiate the week with a gift exchange in a "show and tell" format from our various countries, so that everyone would learn a little bit more about the cultures in which our fellow colleagues were working. This type of interaction within a global team is a great way to facilitate cross-cultural workforce.

Q.16 What is Corporate Governance? How is it different from CSR?

Ans.: Corporate governance (CG) and corporate social responsibility (CSR) have been important research issues for decades. The relationship between CG and CSR has been studied in financial literature in conjunction with the relationship between CSR, risk and corporate financial performance (CFP). In numerous previous studies, CG has been analysed as a pre-requisit or a component of CSR Moreover, the relationships between CSR, governance, financial structure, and financial performance are complex, requiring more global models to better understand them.

These have offered some definitions and typologies of strategic CSR behaviours in terms of corporate governance, and have demonstrated how management practices and the company's structure of CSR strategies depend on governance factors. In particular, board composition and ownership structure may explain strategic CSR decision-making and risk-taking. They shape their companies' CSR policies with the aim of hedging against potential risks including egregious unethical behaviour and outright misconduct.

An in-depth examination of CSR and governance issues is particularly important, given the alarming increase both in frequency and severity of incidents of corporate fraud. The scandals associated with Enron, WorldCom and Lehman Brothers, as well as the Ponzi schemes of Allen Stanford, Bernard Madoff and others, have undermined the confidence of investors and the public alike. Remarkably, Dyck, Morse and Zingales (2014) estimate that only 1 in 4 frauds committed are detected in the U.S. market, and that around 15% of U.S. companies were engaged in corporate fraud over the period between 1996–2004. This is particularly troublesome for those who believe that the U.S. has the highest standards of monitoring and investor protection practices worldwide. Equally disturbing is their finding that the annual cost of fraud among large U.S. companies is around $380 billion. These results are particularly disconcerting for markets with weaker regulatory environments compared to the U.S.

Moreover, according to Gangi and Trotta (2015), socially-responsible investment funds demonstrate greater stability in their benefits in times of economic crisis than those funds whose sole aim is profit. It seems that the moral and economic values linked to CSR provide balance and robustness to the system, as well as temper the incentive to maximize profits as the sole objective.

Definition of concepts: CSR and governance

A Green Paper released by the European Commission defines Corporate Social Responsibility (CSR) as actions which allow companies to not only meet their legal obligations but also to go beyond and invest in human capital, in the environment, and in strengthening relations with stakeholders. In the spirit of the OECD, the Green Paper defines corporate governance as the system or interface which manages and controls relations between the management, the board of directors, shareholders and other stakeholders. The standard approach of "corporate governance" was initially based on the objective of optimizing company value; i.e., aligning the interests of managers and shareholders at the lowest possible cost (Turnbull 2015).

For these two concepts, the notion of stakeholder is central, although its scope is more restrictive in the case of governance, which explains the reason why the relationship between quality of governance and CSR is mainly addressed in the scientific literature in light of potential conflicts of interest between different stakeholders argue that governance has struck a balance between economic and social interests, as well as between individual and collective interests. It is by encompassing all stakeholders, instead of only taking into account the interests of shareholders as suggested in the agency theory of Jensen and Meckling (1976), that many governance researchers have shifted their attentions to CSR issues. Corporate governance is thereafter studied in light of different ownership structures and governance practices, mainly related to the board of directors.

Using a sample of S&P 500 firms, Tsoutsoura (2004) has shown that when board members own a substantial number of shares, firms are more sensitive to CSR practices. For Barnea and Rubin (2010), it is rather CEOs and senior managers who tend to over-invest in CSR activities to establish their own personal reputation as good citizens, which can lead to conflicts with other stakeholders. In the same perspective, Ntim and Soobaroyen (2013) highlight that in well-governed firms, managers develop more CSR practices. Their results indicate that board size, diversity, and the number of independent directors significantly affect the adoption of CSR practices. Overall, prior literature has shown that certain characteristics of board of directors, including board composition and functioning, play a monitoring role aimed at ensuring a balance between the interests of the different stakeholders, which explains to a large extent CSR practices.

Differences between CSR and ethics

Business ethics and CSR are closely related. Two schools of thought argue that CSR policies are highly effective and that their objectives reach beyond the sole purpose of communication. The first of these proposes to limit the scope to the notion of business ethics, according to the Anglo-Saxon perspective, and contrast this with corporate responsibility approaches rooted in social objectives, a more European stance, rather than moral principles (Maxim 2014). The second model argues a mixture of ethics and CSR (Postel and Rousseau 2008). From a practical point of view, these two schools of thought are closely related, because a socially-responsible company with a CSR policy should be an ethical company, and an ethical company should be socially responsible (Fassin et al. 2011).

For most companies, the scope of accountability and ethics are limited to legal obligations and sometimes to codes of best practices, while profitability remains the only criterion that affects company decisions. However, ethical codes are becoming increasingly popular, especially in large companies, and cover areas such as CSR, quality of customer relationships and supply chains, respect for the environment, and personal and corporate integrity charters. In this approach, assessing the ethical performance of a company includes CSR as a dimension of ethics.

The dimensions of CSR strategies

CSR considers that company responsibility should be shared beyond the owners alone, instead extending to the various stakeholders. Responsiveness to pressures from stakeholders depends on the environmental and social risks companies take. The power, legitimacy and urgency of stakeholder demands shape managerial decisions with regards environmental and social concerns (Mitchell et al. 1997).

The most studied CSR dimension is by far governance, which creates consensus among studies (Orlitzky 2013). The second most studied dimension is the environment. However, social factors are much less studied. Horváthová's (2010) meta-analysis of ecological studies warns that simple correlation coefficients generate more negative results when linking performance to ecological factors. Therefore, it seems appropriate to rely more on advanced econometric methods instead. She also highlights that a positive link is found more frequently in common law countries than in civil law countries, which brings us to our next topic.

Concerning the country of observation, there seems to be a difference in empirical results obtained in the U.S. compared to other countries. Studies on the U.S. context more often find positive results, while studies on non-U.S. companies tend to lead to more neutral results. An attempt to justify these discrepancies can be found in the activism of U.S. pension funds toward sustainability.

The relationship between corporate governance, CSR and corporate financial performance

This section presents a literature review related to the relationships between corporate governance (CG), corporate social responsibility (CSR) and corporate financial performance (CFP). The relationship between CSR and CG has been widely discussed in recent research in reference to problems with conflicts between various stakeholder interests. A large part of the literature defends the idea that the adoption of CSR policies leads to the implementation of new regulations standards and better CG mechanisms within a company. The results of previous studies remain inconclusive and at the very least require further research.

The adoption of CSR principles should not be perceived as the simple consequence of a marginal decision made within the company. Instead, adopting these principles is part of the company's wider culture and all of its hierarchical components are involved. The decision to adopt these principles is made at the top, and stakeholders need to ensure that managers apply CSR principles in accordance with these decisions to optimize the development of appropriate internal CG mechanisms to reflect this.

These CG mechanisms promoting CSR emerged in the aftermath of infamous accounting scandals such as Enron, HealthSouth, Tyco, and Worldcom, all of which have shaken the trust of investors (Agrawal and Chadha 2005). The aim of promoting CSR was to reestablish investors' confidence in the financial system. Companies are now required to be more transparent and to provide more timely and intelligible disclosure regarding financial statements and corporate governance practices. Disclosure of information by the management team responsible implementing CSR activities has become increasingly commonplace.

In the same context, the standard governance approach was based on the basic objective of optimizing company value. In other words, the objective of good governance is to align the interests of stakeholders and managers at a low cost to the company.

Q.17 What is Globalisation? What is its Rationale? How is it that globalisation has resulted in unification of world economies. In what way, discuss with examples.

Ans.:

Ans.: Globalisation means that the world is becoming interconnected by trade and culture exchange. This study guide looks at the reasons for globalisation and its positive and negative influences.

Reasons for globalisation

There are several key factors which have influenced the process of globalisation:

- **Improvements in transportation** - larger cargo ships mean that the cost of transporting goods between countries has decreased. Economies of scale mean the cost per item can reduce when operating on a larger scale. Transport improvements also mean that goods and people can travel more quickly.
- **Freedom of trade** - organisations like the World Trade Organisation (WTO) promote free trade between countries, which help to remove barriers between countries.
- **Improvements of communications** - the internet and mobile technology have allowed greater communication between people in different countries.
- **Labour availability and skills** - countries such as India have lower labour costs (about a third of that of the UK) and also high skill levels. Labour intensive industries such as clothing can take advantage of cheaper labour costs and reduced legal restrictions in LEDCs.

Globalisation resulted in unification of world economies:

Globalization has changed the picture of World Economy, by increasing the cross-border trade, exchanges of currency, free flow of Capital, movement of people and flow of information. Globalization has introduced the concept of border-less and integrated world economy. Globalization has given a new thought to the businesses worldwide. A lot of

Strategic changes have been occurred in the businesses. Now target market for businesses is not only their home land, but the overall world.

Effects of globalization can be discussed in the following different ways: ¬

- **Global Markets**: Global Markets refers to the "Merging of Historically Distinct and separate National Markets into one huge global market place." With the expansions of global markets liberalize the economic activities of exchange of goods and funds. Removal of Cross-Border Trades barriers has made formation of Global Markets more feasible.
- **International Institutions**: Some of the forces in the world are in the favor of a government that governs the entire world. Now the institutions like United Nations Organization, International Monetary Fund, World Trade Organization and World Bank are near to the concepts of those groups because they are regulating the relationship between different countries and governing issues of Justice, Human relations or political factors (IMF Center, 2005). As the primary purpose of WTO is to unionize the world trading system. Till 2005 148 countries were the members of WTO. The primary purpose of IMF is to regulate the world monetary system. United Nation Organization's primary purpose to bring the piece in all over the World, about 191 countries is the members of UNO (Hill, 2009).
- **Changes in World Trade Picture**: Before the phase of Globalization, United States of America was dominant in world export. After the advent of globalization, Germany, Japan, South Korea and China have seriously challenged the position of America. (Hill, 2009)
- **Changes in Foreign Direct Investment**: Foreign Direct Investment is considered as signification indicator of economic development. According to (Salvotore, 1998) investment in form of lands, capital good, inventories and factories are the real investments. Direct investment is in shape of when one firm is controlling a firm or establishing a subsidiary. Foreign direct investment must be strong enough to control parent company and foreign host company. Control means that parent firm must own at least 10% stock of subsidiary. Lower than this limit of shares are considered as portfolio investment (International Monetary Fund (IMF), 2008). Global FDI Inflow, average 2005-2007 and 2007-2010 (Billion of Dollars) (Nations, 2011) The Special Issue on Arts, Commerce and Social Science © Centre for Promoting Ideas, USA 294.

- **Corporation Changes**: In the present global competitive environment it is a necessary to use the information technology innovatively and skilfully. Globalization has increased the trend of Multi-National Companies in all over the world. Before the Globalization phase USA was dominant in MNCs. But after the expansion of globalization trend, many different nations entered in the race of MNCs. In 1973 share of US in MNCs was about 48.5% and in 2002 it was 28%.
- **Technological Effects**: By the development of technologies specifically related to Telecom as internet, telephones, wireless technologies, undersea fibers, a global technological infrastructure has been developed so information can be moved more smoothly across the borders. Laws regarding Copyrights, patents and international agreements can be easily applied. Through information technology, awareness and application of criminal laws have become easier. Frauds in International Trade and in society can be easily detected (Ogunsola, 2005).
- **Effect on the Standard of Living:** As mentioned above that the major effect of globalization is in the shape of expansion of trade and investment. It is evident that poverty rate has decreased in the regions, where investment and trade is expanding. If we consider the different examples of countries then we can prove our point of view. India is a country where the FDI is increasing rapidly and as a result poverty rate is declining. Mexico has overcome the Macroeconomics crisis better than its neighbours. Similarly Zambia, Columbia and Poland have gained a lot by falling of prices (Harrison, 2006). (International Monetary Fund, 2007)
- **Effect on Employment**: After the advent of globalization, it was an apprehension that the job will shift to developing countries form developed and advanced countries. But Supporters argue that this shift will result in the long term benefit to the country. Critics argue that Globalization will result in inequalities and insecurity about the Jobs. And will ultimately causes the changes in employment structure and labor demand will fall. The below given graph shows how the unemployment has increased in the world: (Geoff Riley, 2006)
- **Industrial Effects**: Globalization has also affected the Industrial sector of the world. Now in this era of globalization, the focus of industries is to produce foreign commodities and to facilitate the consumers in all over the World. For Example, Coca Cola produces the beverages according to the taste that is acceptable in all over the world. The below given graph shows how the different industries are affected during different time

horizons: Ranking of Manufacturing Activities from 1975-2000 The Special Issue on Arts, Commerce and Social Science © Centre for Promoting Ideas, USA 296 (Teal, 2007)

- **Cultural Changes:** Through the development of Globalization world is getting into an identical culture that is understood by every nation, we may call it intermixing of the cultures. People of world especially people of rich countries are getting less conscious about their nations cultures and they have started emerging in world culture. Globalization has resulted in increasing the diversity and boosting telecom and tourism sector of the world (Nigam, 2009).
- **Environmental Effects**: On the one hand globalization has resulted in making the man more interested toward its planet in which he is living and its ecology i.e. its environment through the technological advancements. But on the other hand it is considered that with the growth of Transport has resulted in destruction of Ozone layer and many species on the earth.

  For the economic development every country has to pass from the dirty stage of industrialization which results in the extraction of poisonous material and harmful wastes that are dangerous for the human's health. But it is considered that these things are necessary to come along with the developments in living standards of humans (Nigam, 2009). But in spite all these adverse facts, Globalization has become an unavoidable necessity for Economic Development.

Q.18 What are the methods of compensation and performance appraisal in case of global human resource management? Discuss the methods by giving suitable examples.

Ans.: HR executives in global firms spend a great deal of time and effort in designing and managing Notes compensation programmes because of their high costs and impact on corporate performance, commitment of employees and their retention. Compensation influences organisational culture, recruitment and selection of competent employees, motivation and performance. So, there are issues in designing compensation programmes, such as parity between HCNs and PCNs, state of the labour market and relevant national laws and practices.

Whenever the employee is send abroad for the assignment, it is preceded by the fresh negotiations between the employer and the employee for its compensation. There are two main approaches in the area of international compensation: Going Rate Approach and Balance Sheet Approach.

Going Rate Approach: In this approach, the base salary for international transfer is linked to the salary structure in the host country. The multinational obtains information from local compensation surveys and must decide whether local nationals (HCNs), expatriates of the same nationality, or expatriates of all nationalities will be the reference point terms of benchmarking.

Example: A Japanese bank operating in New York would need to decide whether its reference point would be local U.S. salaries, other Japanese competitors in New York, or all foreign banks operating in New York. With the Going Rate Approach, if the location is in a lowpay country, the multinational usually supplements base pay with additional benefits and payments.

Features of the Going Rate Approach:

Following are the features of the going rate approach:

1. Based on local market rates.

2. Relies on survey comparisons.

(a) Local nationals (HCNs).

(b) Expatriates of same nationality.

(c) Expatriates of all nationalities.

3. Compensation based on the selected survey comparison.

4. Base pay and benefits may be supplemented by additional payments for low-pay countries.

Balance Sheet Approach: It is widely used approach for international compensation. The basic objective is to "keep the expatriate whole", i.e., maintaining relatively to PCN colleagues, and compensating for the costs of an international assignment through maintenance of home-country living standard, plus a financial inducement to make the package attractive. The approach links the base salary for PCNs and TCNs to the salary structure of the relevant home country.

Example: U.S. executive taking up an international position would have his or her compensation package built on the U.S. base-salary level rather than that applicable to the host country.

The key assumption of this approach is that foreign assignees should not suffer a material loss due their transfer, and this is accomplished through the utilisation of what is generally referred to as the balance sheet approach.

Features of the Balance Sheet Approach:

Following are the features of the balance sheet approach are:

1. The basic objective is maintenance of home-country living standard, plus financial inducements.
2. Home-country pay and benefits are the foundations of this approach.
3. Adjustment to home package to balance additional expenditure in host country.
4. Financial incentives (expatriate/hardship premium) added to make the package attractive.
5. Most common system in usage by multinational firms.

Performance appraisal methods:

With the right performance appraisal method, organizations can enhance employee performance within the organization. A good employee performance review method can make the whole experience effective and rewarding. Now that the drawbacks of traditional methods are clear.

Here's a close look at the six most-used modern performance methods:

1. Management by Objectives (MBO)

Management by objectives (MBO) is the appraisal method where managers and employees together identify, plan, organize, and communicate goals. After setting clear goals, managers and subordinates periodically discuss the progress made to control and debate on the feasibility.

This process usually lays more stress on tangible work or career-oriented goals. So, intangible aspects like interpersonal skills, job commitment, etc. are often brushed under the rug. This method is slightly expensive and time-intensive.

2. 360-Degree Feedback

Once-in-a-year performance appraisals are lackadaisical and don't work. Workers need ongoing communication with team leaders and managers. A continuous process, like 360-degree feedback, can help employees stay motivated. This is one of the most widely used appraisal methods.

In 360-degree feedback, every employee in an organization appraises his/her managers, peers, customers, suppliers, and also does a self-evaluation. This method ensures effective performance analysis and Total Employee Involved (TEI). If not handled properly, this method can also suffer from the subjectivity of the appraiser.

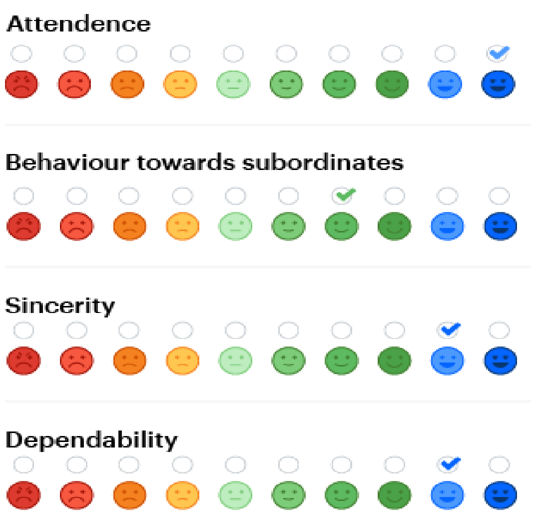
3. Assessment Centre Method

The assessment centre method tests employees in a social-related situation. This concept was introduced way back in 1930 by the German Army but it has been polished and tailored to fit today's environment. Employees are asked to take part in situation exercises like in-basket exercises, work groups, simulations, and role-playing exercises that ensure success in a role.

While it gives an insight of the employee's personality (ethics, tolerance, problem-solving skill, introversion/extroversion, adaptability, etc.), it can also breed unhealthy competition among the workers and bears adverse effects on low performers.

4. Behaviorally Anchored Rating Scale (BARS)

Behaviorally anchored rating scales (BARS) bring out both the qualitative and quantitative benefits in a performance appraisal process. BARS compares employee performance with specific behavioral examples that are anchored to numerical ratings.



This performance appraisal method is said to be better than the traditional methods. BARS provides clear standards, improved feedback, accurate performance analysis, and consistent evaluation. However, when done manually it suffers from the usual distortions that are inherent in most review methodologies.

5. Psychological Appraisals

Psychological appraisals come in handy to determine the hidden potential of employees. This method focuses on analyzing an employee's future performance rather than their past work.

Qualified psychologists conduct a variety of tests (in-depth interviews, psychological tests, discussions, and more) to identify an employee's emotional, intellectual, and other related traits. However, it is a rather slow and complex process and the quality of results is highly dependent on the psychologist who administers the procedure.

6. Human-Resource (Cost) Accounting Method

Human resource (cost) accounting method analyses an employee's performance through the monetary benefits he/she yields to the company. It is obtained by comparing the cost of retaining an employee (cost to company) and the monetary benefits (contributions) an organization has ascertained from that specific employee.

When an employee's performance is evaluated based on cost accounting methods, factors like unit-wise average service value, quality, overhead cost, interpersonal relationships, and more are taken into account. Its high-dependency on the cost and benefit analysis and the memory power of the reviewer is the drawback of human resources accounting method.

Q.19 Discuss various international business theories.

Ans.: For the success of business, it is important to understand all the key types of international trade theories. The concept of international trading is not limited to, just sending and receiving products and services and putting all of the profits in the pockets. Instead, it's a lot more complicated thing. In fact, its current shape is the result of many different types of **international trade theories** that helped it in its evolution through various eras. Honestly saying, apart from making your syllabus boring, these theories can be of great assist in the long run since most parts of these ideas still, hold right. So in this article, we will go through each and every theory and will provide you with a somewhat in-depth detail of these.

All the theories are as discussed below:

1. **Mercantilism**

The oldest of all international trade theories, **Mercantilism**, dates back to **1630**. At that time, Thomas Mun stated that the economic strength of any country depends on the amounts of silver and gold holdings. Greater are the holdings, more economically independent a country is. Furthermore, the idea of favoring greater exports and promoting efforts to minimize imports also belongs to the same theory. Well! The thinking behind this concept is evident since you pay for the imports from the pay that you get from exports. So, if you a country has a lot to pay for the imported products then it will get from exported products, its economy will get inclined towards declination. Even though the view is old but the roots of modern thinking towards the financials is deeply embedded in it.

2. Absolute Advantage

The Theory of **Absolute Advantage** is based on the notion of increasing the efficiencies in the production processes. In **1776**, Adam Smith, a renowned financial expert of the time being, proposed the theory that the manufacturing a product with high efficiency as compared to any other country on the globe is highly advantageous.

The concept can just be understood by the idea that if two countries specialize in exactly same kind of product. But the product of one country being better in quality or lower in price will bring tremendous absolute advantage to the country as compared to the other one. From another point of view, if two countries specialize in entirely different products, then they can quickly increase their influence in their localities by having trade with each other (by creating absolute advantages at both ends).

3. **Comparative Advantage**

As compared to absolute advantage, **Comparative Advantage** favors relative productivity. According to this concept, as put forward by David Ricardo in **1817**, a country with maximum absolute advantage in the creation of more than one product as compared to other, can still trade with another country with less efficient ways to create that product, that's readily available in first, to boost its productivity.

To illustrate this idea with an example, let's say that I have expertise in two fields like graphics designing and writing, where designing lets me earn a lot more than writing. Keeping in mind that I can work on only one side at a time, I will most likely hire a writer, and we both will work in a comparative atmosphere.

4. **Heckscher-Ohlin Theory**

Both the Absolute as well as Comparative international trade theories assume that the choice of the product that can prove itself to be of great advantage is led by free and open markets instead of using the resources available inland. That's what caused Bertil Ohlin and Eli Heckscher to put forward the idea of determination of the prices that relies on the differences in supply and demands.

This can just be understood as, if the supply of a product grows greater than it is in demand in the market, its price falls and vice versa. So, export of a country should mainly consist of the product that is abundantly available in it, and imports should count the products that are in high demand. Since, this concept ensures utilization the country's factors like labor, land and funding sources for the purpose of product manufacturing that's why it is also known by the name of "factor proportion theory."

5. **Product Life Cycle Theory**

In the **1970s**, Raymond Vernon introduced the notion of using a product's life cycle to explain global trade patterns, in the field of marketing. According to theory, as the demand for a newly created product grows, the home country starts exporting it to other nations. Where when the demand grows, local manufacturing plants are opened to meet the request. And the scenario covers the whole globe time to time, thus making that product a standardization.

You can take the example of computers in consideration to understand how this works. The earlier personal computers appeared in **1970's** available only in a few countries and from **1980's to 1990's**, the product was moving through the stage of maturity where the production spread to many other nations. And now in 21st century, every third house has a PC in it.

6. **Global Strategic Rivalry Theory**

The continuous evolutionary behavior of international trade theories brings us back in the **1980's** where Kalvin Lancaster and Paul Krugman introduced the concept of strategies, based on global level rivalries, targeting multinational corporations and the struggle needed in achieving higher advantages as compared to other international companies.

According to the concept, a new firm needs to optimize a few factors that will lead the brand in overcoming all the barriers to success and gaining an influential recognition in that global market. In all these factors, a thorough research and timed developmental steps are crucial. Whereas, having the complete ownership rights of intellectual properties is also necessary. Furthermore, the introduction of unique and useful methods for manufacturing as well as controlling the access to raw material will also come handy in the way.

7. **National Competitive Advantage Theory**

Michael Porter in **1990's** suggested that the success of any business in international trade depends on upgradable and innovational capacities of the industry as well as four other factors, which determine how that firm is going to perform in this global level race. The main concept behind this theory gives the feel of holding factor proportion as well as many other international trade theories in it.

One of those factors is the availability of resources in the local market and their prices which are necessary for providing a sustainable and stable environment for the trade to grow. Moreover, the ability of the firm to face competitors and its capacity to upgrade itself also determines the success rate of that brand. Furthermore, keeping the track of the change in demand and the behavior of local suppliers is also important.

Q.20 What are the principles of UN Global Compact?

Ans.: **The Ten Principles of the UN Global Compact are:**

Corporate sustainability starts with a company's value system and a principles-based approach to doing business. This means operating in ways that, at a minimum, meet fundamental responsibilities in the areas of human rights, labour, environment and anti-corruption. Responsible businesses enact the same values and principles wherever they have a presence, and know that good practices in one area do not offset harm in another. By incorporating the Ten Principles of the UN Global Compact into strategies, policies and procedures, and establishing a culture of integrity, companies are not only upholding their basic responsibilities to people and planet, but also setting the stage for long-term success.

The Ten Principles of the United Nations Global Compact are derived from: the Universal Declaration of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the United Nations Convention against Corruption.

Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses.

Labour

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labour;

Principle 5: the effective abolition of child labour; and

Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.