NCERT Solutions for 11th Class Business Studies: Chapter 12-International Business-II

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# NCERT Solutions for 11th Class Business Studies: Chapter 12-International Business-II

Class 11: Business Studies Chapter 12 solutions. Complete Class 11 Business Studies Chapter 12 Notes.

## NCERT Solutions for 11th Class Business Studies: Chapter 12-International Business-II

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**I. Multiple Choice Questions**

**Question 1. Which of the following documents are not required for obtaining an export license?**

**(a) IEC number**

**(b) Letter of credit**

**(c) Registration cum membership certificate id) Bank account number**

**Question 2. Which of the following documents is not required in connection with an import transaction?**

**(a) Bill of lading (b) Shipping bill**

**(c) Certificate of origin (d) Shipment advice**

**Question 3. Which of the following do not form part of duty drawback scheme?**

**(a) Refund of excise duties**

**(b) Refund of customs duties**

**(c) Refund of export duties**

**(d) Refund of income dock charges at the port of shipment**

**Question 4. Which one of the following is not a document related to fulfill the customs formalities?**

**(a) Shipping bill (6) Export license**

**(c) Letter of insurance (d) Performa invoice**

**Question 5. Which one of the following is not a part of export documents?**

**(a) Commercial invoice (b) Certificate of origin**

**(c) Bill of entry (d) Mate's receipt**

**Question 6. A receipt issued by the commanding officer of the ship when the cargo is loaded on the ship is known as:**

**(a) Shipping receipt (b) Mate receipt**

**(c) Cargo receipt (d) Charter receipt**

**Question 7. Which of the following document is prepared by the exporter and includes details of the cargo in terms of the shippers name, the number of packages, the shipping bill, port of destination, name of the vehicle carrying the cargo?**

**(a) Shipping bill (b) Packaging list**

**(c) Mate's receipt (d) Bill of exchange**

**Question 8. The document containing the guarantee of a bank to honour drafts drawn on it by an exporter is**

**(a) Letter of hypothetication (b) Letter of credit**

**(c) Bill of lading (d) Bill of exchange**

**Question 9. Which of the following does not belong to the World Bank group?**

**(a) IBRD (6) IDA**

**(c) MIGA (d) IMF**

**Question 10. TRIP is one of the WTO agreements that deal with:**

**(a) Trade in agriculture (b) Trade in services**

**(c) Trade related investment measures (d) None of these**

**Answers:**

1. (b) 2. (a) 3. (d) 4. (d) 5. (c)

6. (b) 7. (a) 8. (b) 9. (d) 10. (d)

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**II. Short Answer Type Questions**

**Question 1. Discuss the formalities involved in getting an export license.**

**Answer:** Before exporting goods, it is mandatory for exporters and export firms to fulfill the legal formalities, including securing an export license. The following are the formalities to obtain an export license.

1. **Bank account number:** An exporter must open an account in a bank authorised by the Reserve Bank of India and get an account number.
2. **IEC code:** An export firm must obtain an IEC (Importer Exporter Code) from the Directorate General for Foreign Trade (DGFT) or the Regional Import Export Licensing Authority by submitting documents such as the exporter's profile, prescribed certificates, two attested photographs and details of non-resident interest.
3. **Registration-cum-membership certificate:** An export firm should get itself registered with the appropriate Export Promotion Council, such as the Engineering Export Promotion Council (EEPC) and the Apparel Export Promotion Council (AEPC), and obtain a Registration-Cum-Membership Certificate (RCMC).
4. **Registration with ECGC:** An export firm must also get itself registered with the ECGC (Export Credit and Guarantee Corporation) in order to protect itself from any uncertainties in payments brought upon by political or commercial risks.

**Question 2. Why is it necessary to get registered with an Export Promotion Council?**

**Answer:** If a firm wants to export goods, then it must first obtain an export license. In order to obtain an export license, the firm is required to register itself with the Appropriate Export Promotion Council, such as the Engineering Export Promotion Council (EEPC) and the Apparel Export Promotion Council (AEPC). Such councils are set up by the government for promoting the export of various goods falling under their purview. O ice the registration is complete, the firm obtains the Registration-Cum-Membership Certificate (RCMC). This in turn enables it to take advantage of the benefits made available to export firms by the government. Thus, it is necessary for export firms to register themselves with an Export Promotion Council.

**Question 3. What is IEC number?**

**Answer:** An TEC number refers to the 'Importer Exporter Code number. It is a 10-digit number granted by the Directorate General for Foreign Trade (DGFT) to an import/export firm depending upon the firm's credibility. It is essential for an importer/ exporter to obtain this number as it is to be provided in various import/export documents. In order to obtain this number, an export or import firm submits an application to the DGFT or the Regional Import Export Licensing Authority along with documents and information such as the profile of the importer/exporter, fee receipt from a bank, non-resident's interest details, certificate from the banker on the prescribed form, two photographs attested by the banker and a declaration about the applicant's non-association with firms placed in the caution list. Once the final submission is done and authenticated, the DGFT or the Regional Import Export Licensing Authority issues an IEC number to the importer/exporter, which helps the firm concerned in availing itself of benefits granted by the DGFT to importers/exporters.

**Question 4. What is pre-shipment finance?**

**Answer:** As soon as order is confirmed and letter of credit is received, the exporter approaches the bank to receive pre-shipment finance which he needs to buy raw materials and other inputs to produce good to be exported. Firms require finance for various activities such as purchase of raw material and manufacture of goods. In the case of exporters, this finance is obtained from banks in the form of advances known as pre-shipment finance. These advances are called pre-shipment finance as they are used in operations completed before the final shipment of goods takes place. This type of credit is obtained by an exporter from his or her banker after the order has been confirmed and the letter of credit has been received from the importer. Once the bank extends credit, the exporter uses the funds to purchase raw materials to undertake production. Preshipment finance is also used for processing and packaging goods and transporting them to ports for shipment.

**Question 5. Why is it necessary for an export firm to go in for pre-shipment inspection?**

**Answer:** Pre-shipment inspection refers to the inspection of goods before their final shipment in order to ensure that only quality goods are exported. The Government has initiated measures such as compulsory inspection of certain goods by promulgating the Export Quality and Inspection Act, 1963, and designating various agencies to undertake inspection. Exporters are required to contact the Export Inspection Agency (EIA) or another designated agency and obtain an inspection certificate after getting the goods checked. However, in the case of goods exported by star trading houses, export houses, 100 per cent export-oriented units and industrial units set up in Export Processing Zones (EPZs) or Special Economic Zones (SEZs), no such inspection is required.

**Question 6. Discuss the procedure related to excise clearance of goods.**

**Answer:** Excise duty is the amount payable on raw materials used in the manufacture of goods.

Exporters are required to pay excise duty and get excise clearance. In order to get excise clearance, a manufacturer must first submit an invoice to the Regional Excise Commissioner. The Excise Commissioner then examines the invoice and, if satisfied, issues the excise clearance to the manufacturer. However, in many cases, the government may either exempt a manufacturer from payment of excise duty or refund it after payment in case the manufactured goods are meant for export. The basic objective of such exemptions is to promote the export of goods and provide a competitive market for Indian exports in the world market.

**Question 7. Explain briefly the process of customs clearance of export goods.**

**Answer:** Before the final loading of goods for export, it is necessary for the exporter to get the goods cleared by customs. This is known as Securing Customs Clearance. In this regard, an exporter first requires to submit the following documents to the customs appraiser at the Customs House:

1. Shipping bill
2. Export order
3. Letter of credit
4. Commercial invoice
5. Certificate of origin
6. Certificate of inspection, if necessary
7. Marine insurance policy.

After the submission of the documents, a carting order is obtained from the superintendent of the port concerned. The carting order acts as a gate pass for the cargo to enter the dock as it gives the necessary instructions to the staff. The physical movement of cargo then takes place from the dock to the port area and finally the goods are stored in an appropriate storage. It may not be possible for the exporter to be present at all times for performing these formalities, and therefore the task is assigned to a Clearing and Forwarding (C and F) agent.

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**Question 8. What is Bill of Lading? How does it differ from bill of entry?**

**Answer:** Bill of Lading is an essential document required at the time of an export transaction. It is issued by the shipping company as a token of acceptance that the goods have been put on board in its vessel. A Bill of Lading is an undertaking from the shipping company to transfer the goods to the port of destination. Bills of Lading are freely transferable.

In contrast, a Bill of Entry is required at the time of an import transaction. It is a form supplied by the customs office and filled by the importer once the goods are received. A Bill of Entry is submitted at the customs office with information such as the name and address of the importer, name of the ship in which the goods were transported, number of packages, marks on the package, description of imported goods, quantity and value of the imported goods, name and address of the exporter, port of destination and customs duty payable.

**Question 9. What is Shipping Bill?**

**Answer:** Shipping Bill contains information about the goods that are exported. That is, it contains particulars such as'the name of the vessel, port at which the goods are to be discharged, country of final destination and exporter's name and address. A Shipping Bill is essential for an export transaction as it is on the basis of this document that the customs grants clearance to the export.

**Question 10. Explain the meaning of Mate's Receipt.**

**Answer:** Mate's Receipt is issued by the captain or commanding officer of a ship to an exporter. This receipt acts as evidence that the exporter's cargo has been loaded on the ship. It contains information such as the name of the vessel, berth, date of shipment, condition of the cargo when it was loaded, description of the packages of the cargo, number of packages and marks on the packages. Once the port dues are received, the port superintendent gives the Mate's Receipt to the C and F agent concerned. It is only after the Mate's Receipt has been obtained that the shipping company will issue the bill of lading.

**Question 11. What is a Letter of Credit? Why does an exporter need this document?**

**Answer:** Letter of Credit is issued by the bank of an importer guaranteeing to honour a draft of a certain amount drawn on it by the exporter. It is an important document because, in international transactions, there is always a risk of the importer defaulting on payment once the goods are received. Thus, to minimise the risk of such defaults, the exporter often demands a letter of credit. A letter of credit enables the exporter to assess the credit worthiness of the importer. It is the most appropriate and secure method of payment for settling an international transaction.

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**Question 12. Discuss the process involved in securing for exports.**

**Answer:** Once the goods for export are shipped, the importer is informed about the shipment by the exporter. However, to claim the title of the goods, the importer is required to submit various documents, such as a copy of the invoice, bill of lading, packaging list, insurance policy, certificate of origin and letter of credit. These documents are sent by the exporter and provided by the exporter's bank only when the bill of exchange has been signed and accepted by the importer. The bill of exchange states the amount that the importer must pay to the bearer of the bill. Once the bill is received and accepted, the importer's bank is instructed by the importer to transfer money to the exporter's bank account.

In case the exporter wants immediate payment from his or her bank even if the payment has not been released by the importer, then he or she can secure payment by signing a letter of indemnity. This letter acts as an undertaking that the exporter will indemnify the bank, along with the accrued interest, in case of non-payment by the importer.

Last, when the exporter receives the payment from the bank, he or she obtains a bank certificate of payment. This certificate states that the necessary documents along with the bill of exchange have been presented to the importer for payment and that the payment has been received in accordance with the exchange control regulations.

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**Question 13. Explain the meaning of the following documents used in connection with import transactions**

1. **Trade enquiry,**
2. **Import license,**
3. **Shipment of advice,**
4. **Import general manifest,**
5. **Bill of entry.**

**Answer:**

1. **Trade Enquiry:** It refers to a document sent by an importer to an exporter, seeking information about the price of goods, terms and conditions for supply of goods, etc.. On receipt of a trade enquiry, the exporter prepares a quotation containing the information sought, and sends it to the importer.
2. **Import License:** An import license is issued by the Government, permitting an importer to bring in goods from outside the country. In India, for securing an import license, an importer requires an IEC (Importer Expert Code) number, which is obtained after the importer's registration with the Directorate General for Foreign Trade (DGFT) or the Regional Import Export Licensing Authority.
3. **Shipment Advice:** Shipment Advice is a document sent by an exporter to an importer as proof that the goods ordered have been shipped. It contains information about the bill of lading, name of the vessel, date, port of export, description of goods, etc.
4. **Import General Manifest:** It is issued by the person in charge of the carrier (ship or airliner) in which the goods are being imported. The document informs the officer in charge at the dock or the airport about the arrival of the goods, and it is on the basis of this document that the cargo will be unloaded.
5. **Bill of Entry:** Bill of Entry is a form supplied by the customs office and filled in by the importer at the time the goods are received. It contains information such as the name and address of the importer, name of the ship in which the goods were transported and number of packages. The importer fills in the bill form and returns it to the customs office.

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**Question 14. List out major affiliated bodies of the World Bank.**

**Answer:** The following are the major affiliated bodies of the World Bank.

1. **IBRD:** The International Bank for Reconstruction and Development (IBRD) was established in 1945 to assist in the reconstruction of war affected countries. It mainly aims at facilitating the development of the poor nations of the world.
2. **IFC:** The IFC, or the International Finance Corporation, was formed in 1956 as a separate legal entity to provide finance to the private sector in developing nations. The IFC is part of the World Bank Group. It has its own funds and functions. It is managed independently.
3. **MIGA:** MIGA refers to the Multinational Investment Guarantee Agency. It was established in April 1988 with the objective of encouraging foreign direct investments in the less developed countries, insuring investors against political and non¬commercial risks, providing advisory services, etc.
4. **IDA:** The IDA, or the International Development Association, was established in 1960. Its basic objective is to provide loans and grants at concessional rates to countries whose per-capita income is very low. The loans provided by the IDA have high flexibility.

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**Question 15. Write short notes on the following:**

1. **UNCTAD**
2. **MIGA**
3. **World Bank**
4. **ITPO**
5. **IMF**

**Answer:**

1. **UNCTAD:** The United Nation Conference on Trade and Development, or UNCTAD, was established in 1964 with the objective of integrating the developing countries with the world economy through discussions. It undertakes activities such as collecting research and data for policy making and extending technical assistance to the less developed countries as per their requirements.
2. **MIGA:** The Multinational Investment Guarantee Agency, or MIGA, was established in April 1988 with the objective of encouraging foreign direct investment in the less developed countries. It aims at insuring investors against political and non-commercial risks, providing advisory services, etc.
3. **World Bank:** The World Bank (the World Bank was known as the International Bank for Reconstruction and Development (IBRD) before its growth and expansion) was set up to

assist the reconstruction of war affected countries and to facilitate the development of the under-developed nations of the world. Moreover, apart from investing in infrastructure development, agriculture, health and industry, the World Bank is significantly involved in programmes to remove poverty, increasing the income of the poor and providing technological support.

4. **ITPO:** The ITPO, or the Indian Trade Promotion Organisation, was formed on January 1, 1992, under the Companies Act, 1956. Its main objective is to maintain close interactions among traders, industry and the government. In order to fulfil this objective, the ITPO organises trade fairs and exhibitions within and outside the country, thereby helping export firms to interact with international trade bodies.
5. **IMF:** The IMF, or the International Monetary Fund, came into existence in 1945 with the objective of creating and ensuring a healthy international monetary system. It aims at facilitating a system of international payments and adjustments in exchange rates among national currencies in order to bring about balanced growth at the international level and increase the levels of employment and income.

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**III. Long Answer Type Questions**

**Question 1. Rekha Garments has received an order to export 2000 men's trousers to Swift Imports Ltd. located in Australia. Discuss the procedure that Rekha Garments would need to go through for executing the export order.**

**Answer:** Rekha Garments will have to adopt the following procedures given below to execute the export order.

- As the exporter, it should first assess the credit worthiness of the importer. Swift Imports, through an enquiry. It should then ask for a letter of credit from the importer's bank, guaranteeing to honour a draft of a specified amount drawn on it by the exporter.
- Once Rekha Garments is assured that it will be paid for the goods, it will need to register itself and secure an Importer Exporter Code number in order to obtain an export license.
- After obtaining the license, it should acquire pre-shipment finance from a bank in order to purchase raw materials to undertake production and packaging.
- With the finance made available, Rekha Garments can procure the raw materials and other inputs required and start the production process.
- After the goods are produced, Rekha Garments must get them inspected before exporting them. For this inspection, it must contact the Export Inspection Agency (EIA) or another designated agency and obtain a certificate of inspection.
- The exporter then needs to secure excise clearance, for which it must submit an invoice to the regional excise commissioner. The excise commissioner then examines the invoice and, if satisfied, issues the excise clearance to the exporter.

- Once the excise clearance is received, Rekha Garments needs a certificate of origin, which specifies the country in which the goods are being produced. It allows the importer to claim tariff concessions and other exemptions, if any.
- The next step is for the exporter to submit an application to a shipping company for booking shipping space in a vessel. In the application, it must provide details such as the type of goods to be shipped and the port of destination. After the application is received, the shipping company will issue a shipping order to the captain of its ship to inform him or her that the specified goods will be received on board after the customs clearance.
- The goods are then properly packed and labelled with Ml the necessary information such as the importer's name, port of destination, and gross and net weight of the goods.
- Once the goods are ready for export, Rekha Garments must insure the goods against perils of the sea or any related damage.
- It must then secure customs clearance before loading the goods on the ship. For getting customs clearance, the exporter must submit the necessary documents to the customs appraiser at Customs House.
- After customs clearance, a mate's receipt will be issued by the captain or commanding officer of the ship to the exporter as evidence that the cargo has been loaded on the ship.
- Later, a bill of lading will have to be obtained from the shipping company as a token of acceptance that the goods have been put on board in its vessel.
- After the goods are shipped, an invoice will have to be prepared by the exporter, which will include the quantity of goods sent and the amount to be paid by the importer.
- The exporter then needs to send a set of documents to the banker, which is to be handed over to the importer on acceptance of a bill of exchange. After receiving the bill of exchange, the importer, Swift Imports, will instruct its bank to transfer money to the exporter's bank account.
- Last, the exporter would be required to collect a bank certificate of payment, which will state that the necessary documents, along with the bill of exchange, have been presented to the importer for payment, and that the payment has been received in accordance with the exchange control regulations.

**Question 2. Your firm is planning to import textile machinery from Canada. Describe the procedure involved in importing.**

**Answer:** In order to import textile machinery from Canada, the firm will have to take the following steps:

- The firm (the importer) should first make an enquiry about the price of the machinery, terms and conditions on which the selected Canadian exporter is willing to supply the goods and such related information. It should then send the trade enquiry to the exporter. On receipt of the trade enquiry, the exporter will prepare a quotation and send it to the importer.

- The importer must find out whether the goods to be imported are subject to import licensing. If needed, it must secure an import license.
- The firm must then convert domestic currency into foreign currency to make payment to the exporter. This is done by submitting an application to a bank in the prescribed form along with documents.
- Once the import license is obtained, the importer can place an order with the exporter specifying the price, quantity and quality of the goods required.
- The importer will be required to send a letter of credit to the Canadian exporter. This letter is obtained from the importer’s bank and acts as a bank guarantee that a draft of a specified amount drawn on it by the exporter will be honoured.
- The next step is for the importer to arrange for finance in order to make payment to the exporter on the arrival of the goods. This is necessary to avoid penalties on account of any delay in payment.
- Once the goods are shipped, the exporter will send a shipment advice to the importer. This document is proof of dispatch of the goods and contains information about the bill of lading, name of the vessel with date, port of export, description of goods, etc.
- The importer must then prepare a bill of exchange that is to be handed over to the exporter’s banker in exchange for the export documents. After this is done, the importer is required to instruct its bank to transfer money to the exporter’s bank account.
- An import general manifest will be issued by the person in charge of the carrier (ship or airliner) in which the goods are being imported. This is done in order to inform the officer in charge at the dock or the airport about the arrival of the goods. This document contains information about the goods being imported, and it is on the basis of this document that unloading of the cargo will take place.
- Once the goods arrive at the port, the importer must get customs clearance, which in turn requires a delivery order, a port duty dues receipt and a bill of entry.

**Question 3. Discuss the principal documents used in exporting.**

**Answer:** The following documents are required for an export transaction:

- **Export Invoice:** It is a seller’s bill which contains information about the quantity of goods, total value of goods, number and marks of packaging, name of the ship, etc.
- **Packing List:** It includes information related to the goods that are packed, such as the number of items packed in one package, details of goods contained in one package, etc.
- **Certificate of Origin:** Certificate of Origin specifies the country in which the goods being exported were produced. It allows the importer to claim tariff concessions and other exemptions.

- **Certificate of Inspection:** Certificate of Inspection is proof that the goods being exported are of good quality. The exporter contacts the Export Inspection Agency (EIA) or another designated agency and obtains the certificate of inspection after getting the goods inspected.
- **Mate's Receipt:** It is a receipt issued by the captain or commanding officer of a ship to an exporter as evidence that the exporter's cargo has been loaded on the ship. It contains information about the name of the vessel, berth, date of shipment, condition of the cargo when the goods were loaded, description of packages of the cargo, number of packages, marks on the packages, etc.
- **Shipping Bill:** It contains information regarding the specifications of the goods for export, such as the name of the vessel, port at which the goods are to be discharged, country of final destination and exporter's name and address. This document forms an essential part of an export transaction as it is on the basis of this document that customs grants clearance to the export.
- **Bill of Lading:** Bill of lading is an essential document required for an export transaction. It is issued by the shipping company concerned as a token of acceptance that the goods have been put on board in its vessel. A bill of lading is an undertaking signed by the shipping company to transfer the goods to the port of destination. Bills of Lading are freely transferable.
- **Airway Bill:** It is issued by an airline as a token of acceptance that the goods for export have been put on board its aircraft.
- **Marine Insurance Policy:** Marine Insurance Policy is an insurance contract under which the insurance company concerned, in return for a premium, agrees to pay an exporter a specified amount in case of loss of goods or damage caused during transport by sea.
- **Cart Ticket:** Also known as a cart chit or a gate pass is prepared by an exporter and includes information about the exporter's cargo.
- **Letter of Credit:** Letter of Credit is issued by the bank of an importer guaranteeing to honour a draft of a specified amount drawn on it by the exporter. A letter of credit enables the exporter to assess the creditworthiness of the importer and is the most appropriate and secure method of payment for settling international transactions.
- **Bill of Exchange:** Bill .of Exchange indicates the amount that an importer must pay to the bearer of the bill. On receiving a bill of exchange, the importer instructs its bank to transfer the amount to the exporter's bank account.
- **Bank Certificate of Payment:** Bank Certificate of Payment indicates that the necessary documents, along with the bill of exchange, have been presented to the importer, and that payment from the importer has been received in accordance with the exchange control regulations.

**Question 4. List and explain various incentives and schemes that the government has evolved for promoting the country's foreign trade.**

**Answer:** The following are some of the schemes and incentives adopted by the government to promote exports:

- **Duty Drawback Scheme:** Under the duty drawback scheme, exporters are either exempted from payment of excise duties or are refunded a certain percentage of the excise duty paid earlier. In case where inputs are used for export production, the custom duties paid on import of raw material and machines are refunded.
- **Export Manufacturing under the Bond Scheme:** This bond scheme enables exporters to undertake production of goods meant for exports without paying excise or other duties. In order to avail themselves of this scheme, exporters must sign an undertaking that the goods produced are meant only for exports and not for domestic consumption.
- **Exemptions from Payment of Sales Tax:** The goods that are meant for imports are not subjected to sales tax. The income earned by exporters (only those who run 100 per cent export-oriented units or units in export processing zones and special economic zones) from the export of goods is exempted from payment of income tax.
- **Advance License Scheme:** Advance License Scheme allows exporters to use inputs (those that are domestically produced or imported) without the payment of any duties. In addition, the scheme exempts exporters from paying custom duties in cases where the imported inputs are used for manufacturing goods meant for exports.
- **Export Promotion Capital Goods (EPCG) Scheme:** The EPCG Scheme promotes the import of goods for the production of export goods. Under the scheme, exporters are allowed to import goods at concessional rates of custom duties. However, to avail themselves of this scheme, exporters must fulfill certain export obligations stated under the scheme. ‘
- **Scheme of Recognizing Export House, Trading House and Superstar Trading House:** This scheme aims at facilitating well-established trading houses to market their products globally. Under the scheme, selected exporting firms are given the status of export house, trading house and star trading house by the government. This status is given on the basis of the past export performances of export firms.

**Question 5. Identify various organizations that have been set up in the country by the government for promoting country’s foreign trade.**

**Answer:** In order to promote foreign trade, the Government has set up the following institutions:

- **Indian Institute of Foreign Trade (IIFT):** Established in 1963 under the Societies Registration Act, the IIFT is an autonomous body responsible for the management of the country’s foreign trade. It is also a deemed university that provides training in international trade, conducts research in areas of international business and disseminates data related to international trade.

- **Export Inspection Council (EIC):** The EIC was established by the Government of India under Section 3 of the Export Quality Control and Inspection Act, 1963, with the objective of promoting exports through quality control and pre-shipment inspections. According to this act, all goods that are meant for exports (except some commodities) must pass through the EIC for quality inspection.
- **Indian Institute of Packaging (IIP):** The IIP is a training and research institute established in 1966 by the joint efforts of the Ministry of Commerce of the Government of India, Indian Packaging Industry and Allied Industries. The institute caters to the packaging needs of domestic manufacturers and exporters.
- **Indian Trade Promotion Organisation (ITPO):** The ITPO was formed on January 1, 1992, under the Companies Act, 1956. Its main objective is to maintain close interactions among traders, industry and the government. In order to fulfill this objective, the ITPO organizes trade fairs and exhibitions within and outside the country, thereby helping export firms to interact with international trade bodies.
- **Department of Commerce:** The Department of Commerce is the apex body in the Ministry of Commerce of the Government of India and is responsible for formulating policies related to foreign trade as well as evolving import and export policies for the country. It is responsible for all matters related to the country’s external trade.
- **Export Promotion Councils (EPCs):** Registered under the Companies Act or the Societies Registration Act, EPCs are non-profit organizations that are responsible for promoting the exports of particular products. However, the product promoted by a particular EPC must fall under its jurisdiction.

**Question 6. What is World Bank? Discuss its various objectives and role of its affiliated agencies.**

**Answer:** The World Bank is an International Financial Institution that was established in 1944 at the Bretton Woods Conference.

The following are some of the main objectives behind the setting up of the World Bank:

1. To facilitate the task of reconstruction of the war-affected European countries.
2. To focus on the development of underdeveloped nations of the world.
3. To encourage investments in infrastructure development, agriculture, health and industry;
4. To eradicate poverty, increase the income of the poor and provide technological support.

The following are some of the affiliates of the World Bank:

1. **MIGA:** MIGA, or the Multinational Investment Guarantee Agency, was established in April 1988 with the objective of encouraging foreign direct investments in the less

developed nations of the world. It also aims at insuring investors against political and non-commercial risks and providing advisory services.

2. **IFC:** The IFC, or the International Finance Corporation, was formed in 1956 as a separate legal entity to provide finance to the private sector in developing nations. Although the IFC is an affiliate of the World Bank, it has its own funding, besides functions that are managed independently.
3. **IDA:** The IDA, or the International Development Association, was established in 1960 with the affiliation to the World Bank. The basic objective of the association is to provide loans and grants on a soft-loan basis to the less developed member countries—it aims at providing loans at concessional rates to the member countries whose per capita income is very low. It is because of this objective that the IDA is also known as the World Bank's soft-loan window.

**Question 7. What is IMF? Discuss its .various objectives and functions.**

**Answer:** The IMF, or the International Monetary Fund, came into existence in 1945 with the objective of establishing a healthy and orderly monetary system. It aimed at facilitating a system of international payments and taking care of the adjustments in exchange rates among national currencies. It is one of the three international institutions—the other two being the World Bank and the International Trade Organization—that were created for facilitating and monitoring the economic development of the world.

**Objectives of the IMF**

1. To aid the balanced growth of international trade and market, thereby promoting the growth of employment and income;
2. To promote international monetary cooperation among the member countries;
3. To facilitate the orderly exchange of goods between the member countries;
4. To facilitate international payments with respect to the exchange transactions between the member countries.

**Functions of the IMF**

1. Providing short-term credit to member countries;
2. Maintaining stability in the exchange rate of the member countries;
3. Fixing and altering the value of a country's currency whenever required, to facilitate the adjustment of exchange rate of member countries;
4. Collecting the currencies of member countries so as to allow them to borrow the currency of other nations;
5. Lending foreign currency to member nations and facilitating international payments with respect to the exchange transactions between member countries.

**Question 8. Write a detailed note on features, structure, objectives and functioning of WTO.**

**Answer: Features of the WTO (World Trade Organisation):**

1. It governs trade in goods, services and intellectual property rights among the member countries.
2. It is a body created by an international treaty with the approval of the governments and legislatures of the member states.
3. The decisions of the WTO are made by the governments of the member nations on the basis of consensus.

**Structure of the WTO**

On January 1, 1995, the General Agreement on Tariffs and Trade (GATT) was transformed into the WTO to facilitate international trade among the member countries. The WTO was made much more powerful than GATT, by removing tariff and non-tariff barriers between the member nations. It is a permanent body created by an international treaty and represents the implementation of the original proposal of the ITO.

**Objectives of the WTO**

1. Reducing tariff and other non-trade barriers imposed by different nations;
2. Ensuring sustainable development by optimally using the world resources;
3. Developing a more integrated, feasible and stable trading system.

**Functions of the WTO**

1. Providing an environment to the member countries such that they can put forward their grievances before the WTO without any hesitation;
2. Resolving trade disputes among member nations;
3. Eliminating discriminations in trade relations by laying down a commonly accepted code of conduct;
4. Creating better understanding between member countries by consulting with the IMF, the World Bank and other affiliates.

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- Chapter 2- Forms of Business Organisation
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