

10/12/21
Friday

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2HS309
(BDAs)

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A1 This type of general increase in the prices of goods and services in an economy over some period of time is known as "INFLATION".

Inflation :-

- Causes of Inflation

- ↳ Cost push - costs of inputs pushing up prices which means that the increase in price is due to increase in production cost, that is when the raw material's cost rises up. As the price of raw material rises up, it affects the overall cost of the product / service, which is known as the cause of Inflation.

- ↳ Demand-Pull - too many dollars chasing too few goods. This means, when there is sudden rise in demand of the particular product / service. This leads to Inflation. This happens where there is shortage of supply and demands grow exponentially.

* For eg:- In COVID situation, prices of O₂ cylinders and ventilators and some heavy dose injections sky rocketed.

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- ↳ Federal Government deficit spending.
This happens when government spends more than the revenue and after that government asks central bank to mint more money to fill the gap of money. This is how government spendings may become cause of inflation.
- ↳ Cost of labour increases cost of product and eventually increases the prices and this is how it causes inflation. It also increase the production cost.
- ↳ When the ~~money~~ ~~good~~ spending of money is more than GDP of country. It causes inflation. Excessive money growth - loose money policy.
- Consequences of Inflation :-
- ↳ Due to inflation, the purchasing capacity of currency of any country decreases.
- ↳ Customer than tends to buy cheap and low quality.
- ↳ The ones who ~~owe~~ to ~~see~~ are in debt

they come in big problem. the money laundurers are in advantage.

Deflation :-

Cause of Deflation :-

→ Deflation is caused by having shortage of money and in turn increases value of money and in turn decreases the prices of product / services.

→ ~~mainly~~ Mainly Deflation is caused by controlling the money, i.e., controlling how much and where to spend and how much to make new money.

Reducing the money making causes deflation.

Consequences of Deflation :-

→ Deflation can cause more unemployment and because if a company makes less money, it will not hire unwanted employee.

→ Pay wages gets decreased and which may cause depression in people.

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A2 → Mr. Kisan should form / register the company as Sole proprietorship.

→ Common company formations are :-

(a) Unlimited Liability

↳ Sole proprietorship

↳ Partnership firm.

(b) Limited Liability

↳ Private Limited Company

↳ Limited Liability Partnership (LLP)

→ The benefits of Juristic person are

(a) He can manage and protect his personal assets.

(b) He can have ~~not~~ professional management.

(c) He can plan and distribute the risks.

(d) He can have tax advantages

(e) Unlimited lifetime of ownership authority

(f) He can raise capital more efficiently.

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* On basis of question, let us discuss in dept about "sole proprietorship".

⇒ Proprietorship business is owned by a single person who is known as proprietor and therefore this type of company formation is known as sole proprietorship.

Eg:- a Grocery store, cafe, machining workshop, etc.

Advantages :-

- ↳ Easy to start business
- ↳ Easy to operate and maintain
- ↳ Profit is all for himself
- ↳ Simple taxation & compliance
- ↳ Privacy is more
- ↳ If things go wrong, it is easy to wind up the business

Disadvantages :-

- ↳ More than enough liability to proprietor
- ↳ Funding is limited
- ↳ Size and scope is limited
- ↳ Higher tax incidence
- ↳ Cannot continue after death of proprietor

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↳ There are issues with trademark.

Compliances for Sole Proprietorship :-

- ↳ He/she should be Indian citizen
- ↳ There should be GST registration
- ↳ He/she should be filing ITR return
- ↳ He/she must do Industry specific registrations.

A3

Sales

Marketing

| | |
|---------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|
| → Sales means basically, interacting with customers, providing answers to question of customers, and building healthy relationship with customer. | Marketing means we explain our product/service to the customer and explain the benefits and make the buy. |
| → Goal of Sales team is to gain more and more customer feedbacks and followups. | Main Goal of Marketing is to promote business, product and service. |
| → Sales uses means of phone calls, messages and other communication methods to grow | Marketing mainly uses the services like paid ad, social media, etc. |



Sales team mainly knows ~~their~~ that who are favourable customers and they are in contact with them.

marketing on other hand knows just the target audience, not specific people. Marketing team makes it easy for sales team to contact their ~~poter~~ potential buyers. / customers.

Conclusion :- According to me, ~~that we~~ we should focus on both the aspects of the company, i.e., Sales and Marketing, both are equally important for company. And both plays their particular role for any company to grow and promote itself.