

or abstained from doing or does or abstains from doing or promises to do or to abstain from doing something, such act or abstinence or promise is called a consideration for the promise."

Thus, consideration may be of two types : (1) executory consideration, and (2) executed consideration.

consignment account *See* consignment sales and consignment selling.

consignment note A shipping term for a note accompanying a consignment of goods. This is sometimes an alternative to a bill of lading.

consignment sales This involves transfer of goods from one place to another place for subsequent sale. It may be transfer of goods by the principal to the agent situated in another state or transfer to his own branch for subsequent sale. In fact, term 'consignment sale' is not correct. The correct term is 'consignment transfer' or 'branch transfer' or 'stock transfer'. Presently, there is no sales tax on stock transfer or consignment transfer.

consignment selling This practice refers to the distribution of products through the middlemen like agents who get commission on the sales effected on behalf of the producing firms. The terms and conditions of sales like price, discount, etc. are fixed by the firms.

consignment stock It is the stock held by the party (the dealer) but legally owned by another (the manufacturer), on terms that give the dealer the right to sell the stock in the normal course of its business or, at its option, to return it unsold to the legal owner.

consignment transfer *See* consignment sales.

consignor A term used to indicate a person who consigns goods to another in a contract of sale. The recipient is known as the consignee. In a restricted sense, it can mean the person who consigns goods to an agent with a view to selling the goods. The consignor retains the property in the goods until those goods are sold.

consistency (1) It is the extent to which the same person behaves in the same way at different times in relation to behavioural pattern.

(2) Refers to the company's accounting policies that should be applied consistently from one financial period to another. This ensures valid comparisons.

consols Government consolidated stock. This stock is irredeemable. It is issued at various times at various rates of interest. In fact, its price is a good indication of current gilt-edge interest rates because there is no question of capital repayment to be taken into account.

consortium approach to lending This approach was introduced by the RBI in 1974. It requires that more than one bank would finance a single borrower requiring a large credit limit. It (i) enables banks to spread risk of lending, (ii) breaks the monopoly of big banks to have large accounts, (iii) enables banks to share experience and expertise, (iv) introduces uniformity in approaches to lending, (v) enables banks to pool their resources, and (vi) checks multiple financing of the same account.

Each consortium has a lead bank, which has the largest share in the loan, which processes the loan proposal, which calls the meetings of the consortium for sanction of limits and review of accounts, which obtains the RBI permission for credit limits, and which conducts joint inspection of the borrower's activities. It obtains the letter of authority from member banks and releases the initial requirements of the borrower, thereafter it obtains reimbursements from the member banks to the extent of their shares in advance. If the member banks delay the reimbursement beyond a week, the lead bank is entitled to charge a penal interest for the period of delay. This arrangement is also called a single window lending.

conspicuous consumption Rich people purchase and wear diamonds for the purpose of displaying their riches. If the price of diamonds falls to low levels, the rich people will no longer buy them and their demand will fall. This is referred as conspicuous consumption by an economist named Thorstein Veblen.

is not repaid on the due date the lender has a right of possession over goods. For instance, if X borrows a sum of money from a bank against the hypothecation of his stock of raw material, he can continue to use his stock. If he fails to repay the loan on the stipulated date, bank can take the possession of the hypothecated goods. This transfer of goods from X to the bank does not amount to a "sale".]

turnover It is the aggregate of the sale prices received and receivable by the dealer in respect of sales of any goods in the course of the inter-state trade or commerce made during any prescribed period. Prescribed period is the period in which sales tax returns is filled as per the local sales tax law of the state.

Turnover is determined in accordance with the provisions given in section 8A.

Year It means the year applicable in relation to a dealer under the general sales tax law of the appropriate state, and where there is no such year applicable, it is the financial year. While the sales tax returns are submitted quarterly/monthly, as the case may be, sale tax assessment is always done for the whole year and the tax payable is calculated accordingly.

culture The pattern of beliefs and behaviour within a social group.

'cum'dividend 'ex-dividend and *cum*-dividend'.

cum new A stock exchange term applied to shares when they are offered for sale with the right to any scrip issue or rights issue.

cumulative preference shares In such kind of preference shares, if in any year there is insufficient profit and the companies are unable to pay fixed rate of dividend then the arrear dividend shall be paid from the profit of the subsequent year or years. Until all the arrears with current dividend are paid off no other class of shareholders will get any dividend if the holders of cumulative preference shares do not get dividend for two consecutive years.

currency basket Instead of linking a country's currency with a single currency, some countries had linked their currency with a basket comprising of the units of various currencies included in the basket.

In such a linkage, the fortunes of the currency of a country do not depend on one currency and thus rates are more stable.

In 1975 rupee was delinked from pound sterling and linked to the basket of currencies. The main benefit was that it would no longer be dependent on the vagaries of single currency and India was free to exercise its discretion to alter currency components in the basket without allowing the market to speculate on rupee exchange rate.

currency depreciation See devaluation.

currency futures vs. forward foreign exchange contracts. The important difference between them is the extent to which the former allow banking participants in the foreign exchange markets to manage their currency exposures on a dynamic basis without increasing their overall credit exposure and, as a consequence, their use of capital. If a bank creates a forward currency positions using a forward transaction and closes out that position in the same way, it will generally, under current arrangements, have created two separate exposures - both of which will potentially bear a credit risk and both of which will be subject to capital adequacy requirements if they extend beyond a particular maturity. If the same series of transactions were carried out using currency futures, it would have been possible to close out the initial position by, in effect, liquidating it. Both positions could, accordingly, be removed from the bank's books.

currency option It is a contract wherein the buyer of the option has a right to buy or sell, but no obligation for a fixed amount of one currency against another currency at a fixed rate on a date in future.

In an option contract, rate, currency and date are pre-determined. The buyer of the option pays a premium for buying the right.

currency swap It is an agreement to exchange coupons and principal of one currency for those of another currency. This currency swap is used as a technique for raising resources in any currency and using those resources in the needed currency. It can help in converting DM denominated

The parameters of measuring efficiency include :

- (i) Overall rate of return on capital employed showing both efficiency of capital turnover and efficiency of sales,
- (ii) Capacity utilisation,
- (iii) Utilisation of national, financial, physical and human resources,
- (iv) Export performance and import substitution,
- (v) Cash-flow performance, and
- (vi) The pay-back period of the entire organisation (*i.e.* by dividing capital employed by annual cash-flow).

efficiency ratio This finds extensive use in standard costing. This is defined as "the standard hours equivalent to the work produced, expressed as a percentage of actual hours spent in producing that work".

$$\frac{\text{Actual production expressed in standard hours}}{\text{Actual hours worked}} \times 100$$

This ratio measures the level of efficiency at which the firm is operating.

Also see standard hour.

efficient market theory A market where all new information is quickly understood by market participants and becomes immediately incorporated into the market prices. The theory of efficient markets holds that market prices contain all available information. It is not possible to make profit by looking at old information or at patterns of past price changes.

effluxion of time By the effluxion or passage of time, the fixed assets wear out. Accordingly, their intrinsic values also decrease. In addition, the assets like leases, patents and copyrights reach '*nil*' value at the expiry of their legal life. That is why, these assets are written off over their predetermined lives.

effort-performance linkage The expectancy that individual effort will result in per-

formance. Employees generally are motivated to exert effort if they believe their effort will be reflected in high performance. It is one of the basic determinants of motivation.

The audit which seeks to review these measurement yardsticks and evaluates the overall organisational efficiency may be called Efficiency Audit. Thus it provides the means to appraise the performance and to diagnose the weakness of the enterprise. The overall efficiency of an enterprise is, in the ultimate analysis, conditioned by Performance Efficiency and Productivity Efficiency. The efficiency audit, therefore, covers Performance Audit and Productivity Audit, and in this sense, it possesses some of the characteristics of enterprise self-audit or management audit.

egalitarian leadership Also termed equalitarian leadership, it is an approach to leading others in which an attempt is made to reduce status and power differences between the supervisors and the subordinates.

ego The conscious and logical part of human personality and is associated with the reality principle. In order to resolve the conflict, the ego gets support from the super ego. Being one of the factors of human work motivation, it is self-perception of personal worth. It is self-respect one has and seeks. Achievement is the primary source of its satisfaction.

ego-defensiveness A response to perceived threat in which people are motivated more by a desire for self-enhancement than for making good decisions or behaving rationally.

ego needs ego. The ego needs reflect the wish (while being accepted by others) to be set apart by being recognised as someone special. This might come about as a result of some achievement of which one is proud and for which recognition is sought. It is next to the highest and last class of self-actualisation needs in the Maslow's hierarchy of needs.

presentation at the bank but must pay the same into his own bank account. The following are the examples/specimens of general crossings.

general insurance company : audit report Refer to the specimen of the audit report format given in the Appendix, at the end of alphabet B (*Insurance : Annual Accounts*).

general lien A lien that can arise from a particular contract, or by custom in some trades and professions. Alternatively termed as possessory lien. Also *see* bailee : right of lien.

general meetings In relation to a company these are convened by observing the procedures usually laid down in the articles of association of the company and in accordance with the detailed provisions relating to matters connected with the meetings as stated in the Companies Act, 1956.

There are two types of general meetings:

(1) annual general meeting, and (2) extraordinary general meeting.

general offer An offer to the public at large, acceptance usually made by an action. The offer may give rise to many contracts.

general ship When the master or the owner of a ship has agreed with separate shippers to convey goods to the place of destination, the ship is called as such. [For meanings of goods and ship, *see* Carriage of Goods by Sea Act terminology]

general systems theory The theory assumes that all systems, whether organic or organisational, share similar characteristics and can be analysed in similar terms. The researchers like Woodward, Burns, Stalkar, Locwrence and Lorseh reject the universal principles advocated by the classical and human relations approaches and argue instead that the kind of organisational structure and management that works best depends upon the particular circumstances.

However, four basic assumptions of this theory are : (a) Environment - that the organisations are 'open' to their environments; (b) Adaptation - that is, to survive, the organisation must adapt to its environment; (c) Differentiation - that organisations are complex systems because different parts of the system (*i.e.*, sub-systems) become specialised through catering for different aspects of the environment; and (d) Goals - that organisations and organisational sub-systems pursue certain goals which vary from one organisation to another but the most basic goal is survival.

generalised system of preferences (GSP) One of the various types of preferences available to Indian exporters in international markets. Under the GSP, the developed countries (*e.g.* UK, USA) allow the imports from developing countries like India either duty-free or at concessional rates. GSP make the imports cheap in comparison to products coming from countries which are not entitled for GSP. An Indian exporter, in order to take GSP advantage, must know (1) whether his product is GSP-covered; (2) preference margin enjoyed by his products; (3) quotas for import in that country (if any); and (4) the procedures to be obtained/gathered from the Indian Institute of Foreign Trade, Trade Development Authority, Export Promotion Councils, etc.

generally accepted auditing standards Consists of ten formal standards categorised under three groups.

1. General standards (competence, independence, due care).
2. Field-work standards (planning and supervision, internal control, evidential matter).
3. Reporting standards (GAAP, consistency, disclosure, reporting obligation).

generic brand *See* generic products.

generic goods They refer to those goods which are not identified and agreed upon to

125% (25% reserve tranches and 100% credit tranche in 4 instalments) of its quota with the IMF can be drawn.

international monetary fund (IMF)'s assistance: reserve tranches If a member country (of the IMF) draws upto 25% of its quota, it is said that it has utilized its gold tranche or reserve tranche. The IMF does not object to this.

international monetary system Since there was a big departure in the system in 1973, this should be studied under two classifications.

(1) *Monetary system upto 1973* : The main features that existed up to 1973 were (a) par value system of currency fixed by the international monetary fund (IMF) in terms of Gold, (b) change in par value, and (c) restrictions on exchange control.

(2) *Monetary system since 1973*: Since this, the system involves (a) pegging of currency instead of par value system, and (b) reduction in the role of Gold.

international money market (IMM) A market for cross-border exchange of financial instruments with maturities of less than one year. Although traders exchange a number of different types of instruments in IMM, foreign exchange instruments are most actively traded. The foreign exchange market consists of spot and forward exchanges of foreign currencies and that the majority of the foreign exchange market is the trading of foreign-currency-denominated deposits among major banks in amounts of \$ 1 million or more. As regards the financial instruments, these include short-term international bank/government/corporate notes, and international commercial paper.

'international' - production-sharing scheme A scheme of international sub-contracting in which each partner will specialize in the manufacture of certain parts and components to derive maximum benefit of scale. Market demand is not by mutual exchange of specialised items.

international purchasing Also termed import, it is a function of materials manage-

ment. The usual procedures involved are : (i) sanction of foreign exchange, (ii) selection of foreign suppliers (iii) placement of letter of intent and formal purchase order, (iv) release of shipping documents, etc. The problems encountered are rigorous procedures, higher lead time, etc.

international standards See standardization levels.

international standards organization
See ISO 9000.

international sub-contracting An arrangement by a manufacturer in the developed country with one in the developing country under which the latter agrees to supply the parts and components (mainly in labour-intensive units) and/or do assembly operations for the former, on a long-term basis. Under this system, the manufacturer of a final product does not produce the whole product but imports some of its parts and components from the manufacturers of those parts and components in another country under specifications provided to them by the former. Sometimes the contractee also supplies financial and technical assistance to the contracting party. Such types of arrangements are generally made in labour intensive industrial products. The factors responsible for the growth of this business are : cheaper labour in developing countries, capital scarcity in underdeveloped countries barring producers to invest in heavy industries, and lack of expertise and finance.

As a matter of policy, long-term international sub-contracting is not in the interest of developing country. This arrangement should be considered (1) if there is unutilized/underutilized capacity; (2) if items are firm-specific or process-specific; (3) if export-import controls are minimum; and (4) if it is a turnkey project, etc.

international trade This is a trade among countries or different geographical areas. The earliest trade between countries occurred when they were able to supply one another with goods which they were unable to produce for themselves. Now the sphere

- (a) Expenses incurred for making selection and training of new workers in place of those who have left.
- (b) Newly recruited workers handling tools and machinery roughly/carelessly.
- (c) Flow of production getting affected leading to decrease in overall production.

labour wages There are three concepts of labour wages. These are as follows:

- (1) *Minimum wage* is just the wage to cover bare necessities of life - food, clothing and shelter. It may provide a little for worker's efficiency - for their health and education. Minimum wage legislation is in force in most of the countries. Because of the weak bargaining power of workers, legislative action for minimum wage payment is necessary.
- (2) *Fair wage* means wage equal to that received by employees equal in all respects.
- (3) *Living wage* refers to wage concept where the wage is such as to give sufficient inducement to work. It includes components such as bare necessities, insurance schemes, children's educational expenses, recreational expenses and a certain margin for saving.

labour welfare This means "such service, facilities and amenities which may be established in, or in the vicinity of, an undertaking to enable the persons employed in them to perform their work in healthy, congenial surroundings and provided with amenities conducive to good health and high morale". (ILO Report)

Labour welfare includes everything that is necessary to be done for the improvement of the conditions of labour in and around the workplace. For instance, canteen and recreational facilities, sanitary and medical facilities, accommodation facilities, transport facilities from and to the workplace.

laissez-faire A policy of non-interference.

laissez-faire leadership style See free-rein leadership style.

lame duck In stock exchange transactions, bears sell large volume of securities and even those securities which they do not possess. This is known as 'short selling' of securities. In course of short selling the bear speculators may find themselves in a tight corner and cannot meet their obligations at the due date. Bears sell securities with the expectation of buying them back at lower prices. In course of time the shares may be cornered and the bears are not in a position to buy them to cover their transactions. This position of bears is known as 'Lame Duck'. In such a situation, bear speculators struggle like a 'lame duck' in a pool. Also see bears.

land customs station See customs terminology.

land productivity It is computed from the following ratio :

$$= \frac{\text{Total production in weight, volume or number}}{\text{Area of land used}}$$

Agricultural production is given in terms of production per acre. Use of fertilisers, better equipment and irrigation etc. increases yield per acre, i.e. land productivity.

land waiter Also known as a landing officer, this refers to a customs officer responsible for sampling/examining goods liable to customs duty.

landed A term in foreign trade contracts. It applies where the exporter, in addition to ex-ship charges, sees to the landing of the goods.

lapping A procedure in which the individual handling the money withholds some portion of the day's receipts and also fails to record proper credit to certain customers' accounts. When subsequent receipts come in, some portion of these receipts is