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Features:
Important Points
Text book Questions
Additional Questions
Unit Test Questions

Thanks to My Amma

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Preface

Plus One Economics Tamil Medium Guide helpful to students for get good marks.

I sincere thank to A.V. Thiyagarasu sir Principal, R. Sellappan sir Dean (Former Principal) Gobi Arts and Science College (Autonomous) Gobi and my professors for support and encourage me to prepare this Guide.

I sincere thank to my friends.

Best Wishes

S. Mahalingam

Forward

The Guide Titled “**Plus Two Commerce English Medium**” by **S. Mahalingam** is a very useful addition in the field of Management and Commerce. The author took beautiful efforts in making the book as a user guide which could be of great help for Commerce Candidates. The Guide though not provides ample explanation to the concepts will help the readers to have a glimpse at the salient aspects of the subjects like NTA UGC NET/SET Paper 1. NTA UGC NET/SET Management Paper 2, Marketing Management and Management related books etc. I congratulate the author for his wonderful effort in bringing out this useful Guide. I wish him to pursue his passion relentlessly and continue his hard and good work.

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UNIT I MANAGEMENT PROCESS

CHAPTER 1 PRINCIPLES OF MANAGEMENT

CHAPTER SYNOPSIS

- 1.01 Concept of Management
- 1.02 Definitions of Management
- 1.03 Management Vs. Administration
- 1.04 Management Process
- 1.05 Principles of Scientific Management
- 1.06 Principles of Modern Management
- 1.07 Span of Management

Important Points

Management is part and parcel of our day to day life.

Management is goal oriented and it is an art of getting things done with and through others.

Definitions of Management

1. "To manage is to forecast, to plan, to organise, to command, to co-ordinate and to control." —Henry Fayol.
2. "Management is a multipurpose organ that manages a business and manages manager, and manages worker and work."— Peter F. Drucker:

Drucker stresses three jobs of management:

- (i) Managing a business;
- (ii) Managing manager; and
- (iii) Managing workers and work.

"A professional manager is one who specialises in the work of planning, organising, leading and controlling the efforts of others and does so through

systematic use of classified knowledge, a common vocabulary and principles and who subscribes to the standards of practice and code of ethics established by recognised body." — Louis A. Allen.

There are twin purposes of the management process:

- (1) Maximum productivity or profitability and
- (2) Maximum human welfare and satisfaction.

Principles of scientific management propounded by Taylor are

1. Science, Not Rule of Thumb
2. Harmony, Not Discord
3. Mental Revolution
4. Cooperation, Not Individualism
5. Development of each and every person to his or her greatest efficiency and prosperity.

The Father of Modern Management is Mr. Henry Fayol, and according to him there are 14 major principles of management which every manager has to practice for the success of the organization.

The Span of Management has two implications:

1. Influences the complexities of the individual manager's job
2. Determine the shape or configuration of the Organization

I. Choose the Correct answers:

1. Management is what a _____ does?

- a) Manager b) Subordinate
- c) Supervisor d) Superior

2. Management is an _____

- a) Art b) Science

c) Art and Science d) Art or Science

3. Scientific management is developed by

a) Fayol b) Taylor
c) Mayo d) Jacob

4. Dividing the work into small tasks is known as

a) Discipline b) Unity
c) Division of work d) Equity

5. With a wider span, there will be

hierarchical levels.

a) More b) Less
c) Multiple d) Additional

Answers:

1 a 2 c 3 b 4 c 5 b

II. Very short answer questions:

1. What is Management?

Management is goal oriented and it is an art of getting things done with and through others. The practice of management helps to achieve the organizational mission and determines the future of the business enterprises.

2. List out the management tools.

Management Tools:

Tools of management have been developed such as, accounting, business law, psychology, statistics, econometrics, data processing, etc. These branches of management profession have enhanced the practical utility of the science of management.

3. State the meaning of Authority.

Authority means the right of a superior to give the order to his subordinates whereas responsibility means obligation for performance.

4. What do you mean by Span of management?

The Span of Management refers to the number of subordinates who can be managed efficiently by a superior. Simply, the manager having the group of subordinates who report him directly is called as the span of management.

III. Short answer questions:

1. Define the term management.

1. **“To manage is to forecast, to plan, to organise, to command, to co-ordinate and to control.”** —Henry Fayol.

2. **“Management is a multipurpose organ that manages a business and manages manager, and manages worker and work.”**— Peter F. Drucker:

2. Differentiate management from Administration. (any 3)

BASIS FOR COMPARISON	MANAGEMENT	ADMINISTRATION
Meaning	An organized way of managing people and things of a business organization is called the Management.	The process of administering an organization by a group of people is known as the Administration.
Authority	Middle and Lower Level	Top level
Role	Executive	Decisive
Concerned with	Policy Implementation	Policy Formulation
Area of operation	It works under administration.	It has full control over the activities of the organization.

3. What are the principles of Taylor?

Principles of scientific management propounded by Taylor are

1. Science, Not Rule of Thumb
2. Harmony, Not Discord
3. Mental Revolution
4. Cooperation, Not Individualism
5. Development of each and every person to his or her greatest efficiency and prosperity.

They are explained in brief as follows:

1. Science, Not Rule of Thumb:

In order to increase organisational efficiency, the 'Rule of Thumb' method should be substituted by the methods developed through scientific analysis of work. Rule of Thumb means decisions taken by manager as per their personal judgments.

According to Taylor, even a small production activity like loading iron sheets into box cars can be scientifically planned. This will help in saving time as well as human energy. Decisions should be based on scientific enquiry with cause and effect relationships.

2. Harmony, Not Discord:

Taylor emphasized that there should be complete harmony between the workers and the management since if there is any conflict between the two, it will not be beneficial either for the workers or the management. Both the management and the workers should realize the importance of each other. In order to achieve this state, Taylor suggested complete mental revolution on the part of both management and workers.

3. Mental Revolution:

The technique of Mental Revolution involves a change in the attitude of workers and management towards each other. Both should realize the importance of each other and should work with full cooperation. Management as well as the workers should aim to increase the profits of the organisation.

4. Cooperation, Not Individualism:

This principle is an extension of principle of 'Harmony, not discord' and lays stress on mutual cooperation between workers and the management. Cooperation, mutual

confidence, sense of goodwill should prevail among both, managers as well as workers. The intention is to replace internal competition with cooperation. Both 'Management' and 'Workers' should realize the importance of each other

5. Development of each and every person to his or her greatest efficiency and prosperity:

Efficiency of any organisation also depends on the skills and capabilities of its employees to a great extent. Thus, providing training to the workers was considered essential in order to learn the best method developed through the use of scientific approach.

2. What determines the span of management?

Span of management

The Span of Management refers to the number of subordinates who can be managed efficiently by a superior. Simply, the manager having the group of subordinates who report him directly is called as the span of management.

The Span of Management has two implications:

1. Influences the complexities of the individual manager's job
2. Determine the shape or configuration of the Organization

The span of management is related to the horizontal levels of the organization structure. There is a wide and a narrow span of management. With the wider span, there will be less hierarchical levels, and thus, the organizational structure would be flatter. Whereas, with the narrow span, the hierarchical levels increases, hence the organizational structure would be tall.

1. Both these organizational structures have their advantages and the disadvantages. But however the tall organizational structure imposes more challenges
2. Since the span is narrow, which means less number of subordinates under one superior, requires more managers to be employed in the organization. Thus, it would be very expensive in terms of the salaries to be paid to each senior.
3. With more levels in the hierarchy, the communication suffers drastically. It takes a lot of time to reach the appropriate points, and hence the actions get delayed.
4. Lack of coordination and control because the operating staff is far away from the top management.

The major advantage of using this structure is that the cross communication gets facilitated, i.e., operative staff communicating with the top management. Also, the chance of promotion increases with the availability of several job positions.

In the case of a flatter organizational structure, where the span is wide leads to a more complex supervisory relationship between the manager and the subordinate. It will be very difficult for a superior to manage a large number of subordinates at a time and also may not listen to all efficiently.

However, the benefit of using the wider span of management is that the number of managers gets reduced in the hierarchy, and thus, the expense in terms of remuneration is saved. Also, the subordinates feel relaxed and develop their independent spirits in a free work environment, where the strict supervision is absent.

IV. Long answer questions:

1. Explain the concept of management. (any 5)

Concept of Management

The management concept can be understood from its profound characteristic features as follows:

1. Body of Knowledge:

Management has now developed into a specialised body of management theory and philosophy. Management literature is growing in all countries. In fact, management knowledge is the best passport to enter the world of employment either in business world or government or private.

2. Management Tools:

Tools of management have been developed such as, accounting, business law, psychology, statistics, econometrics, data processing, etc. These branches of management profession have enhanced the practical utility of the science of management.

3. Separate Discipline:

Management studies in many universities and institutions of higher learning are recognised as a separate discipline. Since 1951, many specialised schools of management offering master's degree in business management and administration.

4. Specialisation:

There is a growing tendency to select and appoint highly qualified, trained and experienced persons to manage the business in each functional areas of management. Thus we have today an increasing tendency in favour of management by experts or professionals.

5. Code of Conduct:

Enlightened businessmen have recognised that business management is a social institution and it has social responsibilities

to be fulfilled — towards customers, employees, and the public or community. Corporations have now social conscience and awareness.

2. Explain the principles of modern management. (any 5)

Principles of Modern Management

The Father of Modern Management is Mr. Henry Fayol, and according to him there are 14 major principles of management which every manager has to practice for the success of the organization.

1. Division of Work: According to this principle the whole work is divided into small tasks. The specialization of the workforce according to the skills of a person, creating specific personal and professional development within the labour force and therefore increasing productivity; leads to specialization which increases the efficiency of labour.

2. Authority and Responsibility:

This is the issue of commands followed by responsibility for their consequences. Authority means the right of a superior to give the order to his subordinates whereas responsibility means obligation for performance.

3. Discipline: It is obedience, proper conduct in relation to others, respect of authority, etc. It is essential for the smooth functioning of all organizations.

4. Unity of Command: This principle states that each subordinate should receive orders and be accountable to one and only one superior. If an employee receives orders from more than one superior, it is likely to create confusion and conflict.

5. Unity of Direction: All related activities should be put under one group,

there should be one plan of action for them, and they should be under the control of one manager

6. Subordination of Individual Interest to Mutual Interest: The management must put aside personal considerations and put company objectives firstly. Therefore the interests of goals of the organization must prevail over the personal interests of individuals.

7. Remuneration: Workers must be paid sufficiently as this is a chief motivation of employees and therefore greatly influences productivity. The quantum and methods of remuneration payable should be fair, reasonable and rewarding of effort.

8. The Degree of Centralization: The amount of power wielded with the central management depends on company size. Centralization implies the concentration of decision making authority at the top management.

ADDITIONAL QUESTIONS

1. What is Drucker stresses three jobs of management:

- (i) Managing a business;
- (ii) Managing manager; and
- (iii) Managing workers and work.

2. Write Short notes on Science, Not Rule of Thumb:

In order to increase organisational efficiency, the 'Rule of Thumb' method should be substituted by the methods developed through scientific analysis of work. Rule of Thumb means decisions taken by manager as per their personal judgments.

According to Taylor, even a small production activity like loading iron sheets into box cars can be scientifically planned. This will help in saving time as well as human energy. Decisions should be based on scientific enquiry with cause and effect relationships.

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4. What is meant by Discipline?

Discipline: It is obedience, proper conduct

in relation to others, respect of authority, etc. It is essential for the smooth functioning of all organizations.

5. Write a short note on Line of Authority/Scalar Chain? This refers to the chain of superiors ranging from top management to the lowest rank. The principle suggests that there should be a clear line of authority from top to bottom

linking all managers at all levels.

6. Explain Management is an Art or Science.

There is always a discussion about the nature of management whether it is an Art of doing things or it is a pure Science of getting things done.

It would be useful to explain the nature of management in brief as under: Management is an in-exact science, because in pure science, the principles are put into test in a laboratory and they are

either proved or disproved exactly and precisely. For example, plant leaves have starch in them which can be proved or disproved

in a Botany lab. Similarly the management principles can be put to test in an organization where men, machine, money and materials (4 Ms) are practically integrated towards achieving some chosen organizational goals. These principles cannot be exactly proved or disproved either as they tend to be flexible to changing environment, policies and practical difficulties while synchronizing them together. So, management can be described as an inexact science.

Everyone believes that management is an art. No, it is not an art in Toto. Because, the concept of art denotes the learning of skills and practicing them in the day to day life like a mason or carpenter or mechanic or a musician being able to perform their respective art they learnt by way of skill display before anybody under any circumstances.

But the concept of management involves a set of required skills for any one designated as a manager, but the level or span of their managerial skills would vary from person to person and individual to individual irrespective of the countries they belonged to. The nature of the administrative and managerial skills of our former Prime Minister Pt.Jawaharlar Nehru cannot be compared to his counterpart and his own daughter Mrs.Indira Gandhi.

So management is not an exact art of doing things. The art of management is fully reflected in the decision making capacity of a manager.

Judgement and imagination are essential even in a computerised economy. A computer cannot replace a manager in decision making.

7. Define Professional Manager.

“A professional manager is one who specialises in the work of planning, organising, leading and controlling the efforts of others and does so through systematic use of classified knowledge, a common vocabulary and principles and who subscribes to the standards of practice and code of ethics established by recognised body.” — Louis A. Allen.

To conclude, Management is neither a science nor an art, but a combination of both requiring people holding managerial positions to apply the scientific management principles and displaying popular managerial skills to accomplish the organizational goals as efficiently and as quickly as possible so as to be competitive in the globalised environment of business.

8. What are the twin purposes of the management process?

- (1) Maximum productivity or profitability and
- (2) Maximum human welfare and satisfaction.

9. Explain Management Process

The substance of management should be identified as a process. A process is something that what a person does in the context of his individual duties and responsibilities assigned by his or her immediate higher authority.

1. Management is Co-Ordination:

The manager of an enterprise must effectively coordinate all activities and resources of the organisation, namely, men, machines, materials and money the four M's of management.

2. Management is a Process:

The manager achieves proper coordination of resources by means of the managerial functions of planning, organising, staffing, directing (or leading and motivating) and controlling.

3. Management is a Purposive Process:

It is directed toward the achievement of predetermined goals or objectives. Without an objective, we have no destination to reach or a path to follow to arrive at our destination, i.e., a goal, both management and organisation must be purposive or goal-oriented.

4. Management is a Social Process:

It is the art of getting things done through other people.

5. Management is a Cyclical Process:

It represents planning-action-control-replanning cycle, i.e., an ongoing process to attain the planned goals.

10. What are the Differences between Management Vs Administration?

BASIS FOR COMPARISON	MANAGEMENT	ADMINISTRATION
Meaning	An organized way of managing people and things of a business organization is called the Management.	The process of administering an organization by a group of people is known as the Administration.
Authority	Middle and Lower Level	Top level
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Area of operation	It works under administration.	It has full control over the activities of the organization.

UNIT TEST QUESTIONS

I. Choose the Correct answers:

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2. Management is an _____

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3. Scientific management is developed by

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4. Dividing the work into small tasks is known as

- a) Discipline b) Unity
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5. With a wider span, there will be _____

hierarchical levels.

- a) More b) Less
c) Multiple d) Additional

II. Very short answer questions:

1. What is Management?
2. List out the management tools.
3. State the meaning of Authority.
4. What do you mean by Span of management?

III. Short answer questions:

1. Define the term management.
2. Differentiate management from Administration. (any 3)
3. What are the principles of Taylor?
4. What determines the span of management?

IV. Long answer questions:

1. Explain the concept of management. (any 5)
2. Explain the principles of modern management. (any 5)

UNIT I MANAGEMENT PROCESS

CHAPTER 2 FUNCTIONS OF MANAGEMENT

CHAPTER SYNOPSIS

Main Functions

Subsidiary Functions

Important Points

Management functions are called as Managerial process.

Functions of management can be classified into two categories, they are A. Main functions and B. Subsidiary functions.

FUNCTIONS OF MANAGEMENT

Main Functions

Planning, Organising, Staffing, Directing, Motivating, Controlling and Co-ordination are the main functions of management.

Subsidiary Functions

Innovation, Representation, Decision making, and Communication are the subsidiary functions of management.

Planning

'Think Before you Act' or 'Look Before you Leap' are some of the usual traditional proverbs; which provide a basis or logic for planning. Planning is the primary function of management. Nothing can be performed without planning. (For eg., Writing a book starts with planning). In short, planning refers to deciding in advance. Planning is a constructive reviewing of future needs so that present actions can be adjusted in view of the established goal. Planning should take

place before doing; most individual or group efforts are made by determining before any operative action takes place, what shall be done, where, how and who shall do it.

Organising

Organising is the process of establishing harmonious relationship among the members of an organisation and the creation of network of relationship among them. Organising function work is assigned to employees who are given authority to carry out the work assigned and made accountable for it.

Motivating

The goals are achieved with the help of motivation. Motivation includes increasing the speed of performance of a work and developing a willingness on the part of workers. This is done by a resourceful leader. The workers expect, favourable climate conditions to work, fair treatment, monetary or non-monetary incentive, effective communication and gentleman approach.

Controlling

Controlling is performed to evaluate the performance of employees and deciding increments and promotion decisions. The control function helps in identifying under performers and arranging remedial training for them. It is the control function which facilitates synchronization of actual performance with predetermined standards.

Co-ordination

Co-ordination is the synchronization (or unification or integration) of the actions of all individuals, working in the enterprise in different capacities; so as to lead to the most successful attainment of the common objectives. Co-ordination is included in every managerial function; Eg (i) Planning and coordination, (ii). Organising and co-ordination,

(iii) Staffing and co-ordination, (iv) Directing and co-ordination, (v) Motivation and coordination and (iv) Controlling and coordination.

Innovation

Innovation refers to the preparation of personnel and organisation to face the changes made in the business world. Continuous changes are being made in the business. Consumers are satisfied through innovation. Innovation includes developing new material, new products, new techniques in production, new package, new design of a product and cost reduction.

Decision-making

Every employee of an organisation has to take a number of decisions every day. Decisionmaking helps in the smooth functioning of an organisation.

Communication

Communication is the transmission of human thoughts, views or opinions from one person to another person. Workers are informed about what should be done, where it is to be done, how it is do be done and when it is to be done. Communication helps the regulation of job and co-ordinates the activities

I. Choose the Correct Answers:

1. Which is the primary function of management?

- (a) Innovating (b) Controlling
(c) Planning (d) Decision-making

2. Which of the following is not a main function?

- (a) Decision-making (b) Planning
(c) Organising (d) Staffing

3. _____ is included in every managerial function.

- (a) Co-ordinating (b) Controlling
(c) Staffing (d) Organising

4. Which of the following is verification

function?

- (a) Planning (b) Organising
(c) Staffing (d) Controlling

5. The goals are achieved with the help of _____

- (a) Motivation (b) Controlling
(c) Planning (d) Staffing

Answers:

1 c 2 a 3 a 4 d 5 a

II. Very Short Answer Questions:

1. Write a short note about Planning.

Planning is the primary function of management. Nothing can be performed without planning. (For eg., Writing a book starts with planning). In short, planning refers to deciding in advance. Planning is a constructive reviewing of future needs so that present actions can be adjusted in view of the established goal. Planning should take place before doing; most individual or group efforts are made by determining before any operative action takes place, what shall be done, where, how and who shall do it.

2. What is meant by Motivation?

Motivating

The goals are achieved with the help of motivation. Motivation includes increasing the speed of performance of a work and developing a willingness on the part of workers. This is done by a resourceful leader. The workers expect, favourable climate conditions to work, fair treatment, monetary or non-monetary incentive, effective communication and gentleman approach.

3. List the subsidiary functions of management.

Subsidiary Functions

Innovation, Representation, Decision making, and Communication are the subsidiary functions of management.

4. What is the Traditional proverb used in planning?

Planning

'Think Before you Act' or 'Look Before you Leap' are some of the usual traditional proverbs; which provide a basis or logic for planning. Planning is the primary function of management. Nothing can be performed without planning. (For eg., Writing a book starts with planning).

III. Short Answer Questions:

1. List out the main functions of management?

Main Functions

Planning, Organising, Staffing, Directing, Motivating, Controlling and Co-ordination are the main functions of management.

2. State the importance of staffing.

Staffing

Staffing function comprises the activities of selection and placement of competent personnel. In other words, staffing refers to placement of right persons in the right jobs. Staffing includes selection of right persons, training to those needy persons, promotion of best persons, retirement of old persons, performance appraisal of all the personnel, and adequate remuneration of personnel. The success of any enterprise depends upon the successful performance of staffing function.

3. How the employees are informed about important matters in a company?

Main Functions

Planning, Organising, Staffing, Directing, Motivating, Controlling and Co-ordination are the main functions of management.

Subsidiary Functions

Innovation, Representation, Decision-making, and Communication are the subsidiary functions of management.

IV. Long Answer Questions:

1. Explain the various functions of management. (any 5)

Main Functions

Planning, Organising, Staffing, Directing, Motivating, Controlling and Co-ordination are the main functions of management.

1. Planning

'Think Before you Act' or 'Look Before you Leap' are some of the usual traditional proverbs; which provide a basis or logic for planning. Planning is the primary function of management. Nothing can be performed without planning. (For eg., Writing a book starts with planning). In short, planning refers to deciding in advance. Planning is a constructive reviewing of future needs so that present actions can be adjusted in view of the established goal. Planning should take place before doing; most individual or group efforts are made by determining before any operative action takes place, what shall be done, where, how and who shall do it.

2. Organising

Organising is the process of establishing harmonious relationship among the members of an organisation and the creation of network of relationship among them. Organising function work is assigned to employees who are given authority to carry out the work assigned and made accountable for it.

3. Staffing

Staffing function comprises the activities of selection and placement of competent personnel. In other words, staffing refers to placement of right persons in the right jobs. Staffing includes selection of right persons, training to those needy persons,

promotion of best persons, retirement of old persons, performance appraisal of all the personnel, and adequate remuneration of personnel. The success of any enterprise depends upon the successful performance of staffing function.

4. Directing

Directing denotes motivating, leading, guiding and communicating with subordinates on an ongoing basis in order to accomplish pre-set goals. Employees are

kept informed of all necessary matters by circulars, instructions manuals, newsletters, notice-boards, meeting, participative mechanism etc., in order to enable the employees to accomplish the organizational goals.

5. Motivating

The goals are achieved with the help of motivation. Motivation includes increasing the speed of performance of a work and developing a willingness on the part of workers. This is done by a resourceful leader. The workers expect, favourable climate conditions to work, fair treatment, monetary or non-monetary incentive, effective communication and gentleman approach.

6. Controlling

Controlling is performed to evaluate the performance of employees and deciding increments and promotion decisions. The control function helps in identifying under performers and arranging remedial training for them. It is the control function which facilitates synchronization of actual performance with predetermined standards.

7. Co-ordination

Co-ordination is the synchronization (or unification or integration) of the actions of all individuals, working in the enterprise in different capacities; so as to lead to the most successful attainment of

the common objectives. Co-ordination is included in every managerial function; Eg

- (i) Planning and coordination,
- (ii).Organising and co-ordination,
- (iii) Staffing and co-ordination, (iv) Directing and co-ordination, (v) Motivation and coordination and (iv) Controlling and coordination.

Subsidiary Functions

Innovation, Representation, Decisionmaking, and Communication are the subsidiary functions of management.

1. Innovation

Innovation refers to the preparation of personnel and organisation to face the changes made in the business world. Continuous changes are being made in the business. Consumers are satisfied through innovation. Innovation includes developing new material, new products, new techniques in production, new package, new design of a product and cost reduction.

2. Representation

A manager has to act as representative of a company. Manager has dealings with customers, suppliers, government officials, banks, financial institutions, trade unions and the like. It is the duty of every manager to have good relation with others.

3. Decision-making

Every employee of an organisation has to take a number of decisions every day. Decisionmaking helps in the smooth functioning of an organisation.

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4. Communication

Communication is the transmission of human thoughts, views or opinions from one person to another person. Workers are informed about what should be done, where it is to be done, how it is do be done

and when it is to be done. Communication helps the regulation of job and co-ordinates the activities.

ADDITIONAL QUESTIONS

Management functions are called as Managerial process.

1.List Functions of Management?

Functions of management can be classified

into two catogories, they are A. Main functions and B. Subsidiary functions.

2.What is meant by Organising?

Organising is the process of establishing harmonious relationship among the members of an organisation and the creation of network of relationship among them. Organising function work is assigned to employees who are given authority to carry out the work assigned and made accountable for it.

3. Write a short note on Directing?

Directing

Directing denotes motivating, leading, guiding and communicating with subordinates on an ongoing basis in order to accomblish pre-set goals. Employees are kept informed of all necessary matters by circulars, instructions manuals, newsletters, notice-boards, meeting, participative mechanism etc., in order to enable the employees to accomplish the organizational goals.

4. Write a short note on Controlling?

Controlling

Controlling is performed to evaluate the performance of employees and deciding increments and promotion decisions. The control function helps in

identifying under performers and arranging remedial training for them. It is the control function which facilitates synchronization of actual performance with predetermined standards.

5. Write a short note on Co-ordination.

Co-ordination is the synchronization (or unification or integration) of the actions of all individuals, working in the enterprise in different capacities; so as to lead to the most successful attainment of the common objectives. Co-ordination is included in every managerial function; Eg (i) Planning and coordination, (ii).Organising and co-ordination, (iii) Staffing and co-ordination, (iv) Directing and co-ordination, (v) Motivation and coordination and (iv) Controlling and coordination.

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Communication is the transmission of human thoughts, views or opinions from one person to another person. Workers are informed about what should be done, where it is to be done, how it is to be done and when it is to be done. Communication helps the regulation of job and co-ordinates the activities.

UNIT TEST QUESTIONS

I. Choose the Correct Answers:

1. Which is the primary function of management?

- (a) Innovating (b) Controlling
(c) Planning (d) Decision-making

2. Which of the following is not a main function?

- (a) Decision-making (b) Planning
(c) Organising (d) Staffing

3. _____ is included in every managerial function.

- (a) Co-ordinating (b) Controlling
(c) Staffing (d) Organising

4. Which of the following is verification function?

- (a) Planning (b) Organising
(c) Staffing (d) Controlling

5. The goals are achieved with the help of _____

- (a) Motivation (b) Controlling
(c) Planning (d) Staffing

II. Very Short Answer Questions:

- Write a short note about Planning.
- What is meant by Motivation?
- List the subsidiary functions of management.
- What is the Traditional proverb used in planning?

III. Short Answer Questions:

- List out the main functions of management?
- State the importance of staffing.
- How the employees are informed about important matters in a company?

IV. Long Answer Questions:

1. Explain the various functions of management. (any 5)

UNIT I MANAGEMENT PROCESS

CHAPTER 3

MANAGEMENT BY OBJECTIVES (MBO)
MANAGEMENT BY EXCEPTION (MBE)

Chapter Synopsis

3.01 Meaning and Definition of MBO

3.02 Objectives of MBO

3.03 Features of MBO

3.04 Process of MBO

3.05 Advantages of MBO

3.06 Disadvantages of MBO

3.07 Meaning of MBE

3.08 Process of MBE

3.09 Advantages of MBE

3.10 Disadvantages of MBE

Important Points

Management By Objectives (MBO) is a management system in which each member of the organisation effectively participates and involves himself.

MBO is popularised in the USA by George Odiorne. According to him, "MBO is a system wherein the superior and the sub-ordinate managers of an organisation jointly identify its common goals, define each individual's major area of responsibility in terms of the result expected of him and use these measures guides for operating the unit and assessing the contribution of each of its members".

Prof. Reddin defines MBO as, "the establishment of effective standards for managerial positions and the periodic

conversion of those into measurable time bound objectives linked vertically and horizontally and with future planning".

The MBO process is characterised by the balance of objectives of the organisation and individual.

Management by exception is an important principle of managerial control suggested by the classical writers on management.

Management by exception (MBE) has both a general business application and a business intelligence application.

I. Choose the Correct Answers:

1. _____ System gives full Scope to the

Individual Strength and Responsibility.

- (a) MBO (b) MBE
(c) MBM (d) MBA

2. Which is the First step in Process of MBO?

- (a) Fixing Key Result Area
(b) Appraisal of Activities
(c) Matching Resources with Activities
(d) Defining Organisational Objectives

3. _____ keeps Management Alert to

Opportunities and Threats by Identifying

Critical Problems.

- (a) MBA (b) MBE
(c) MBM (d) MBO

4. Delegation of Authority is Easily Done

with the Help of _____ .

- (a) MBM (b) MBE
(c) MBO (d) MBA

5. MBO is popularised in the USA by

- _____
(a) Prof. Reddin (b) George Odiorne
(c) Henry Fayol (d) F.W Taylor

Answers:

1 a 2 d 3 b 4 c 5 b

II. Very Short Answer Questions:

1. What are the objectives of MBO?

Objectives of MBO

- i. to measure and judge performance
- ii. to relate individual performance to organisational goals
- iii. to clarify both the job to be done and the expectations of accomplishment

2. Bring out the meaning of MBE.

Management by exception is an important principle of managerial control suggested by the classical writers on management. It is based on the belief that an attempt to control everything results in controlling nothing. Management by exception is a style of business management that focuses on identifying and handling cases that deviate from the norm.

3. Mention any two advantages of MBO?

1. Managers are involved in objectives setting at various levels of management under MBO and this commitment ensures hard work to achieve them.
2. MBO process helps the managers to understand their role in the total organisation.

4. What is known as KRA?

Fixing Key Result Areas

Key result areas are fixed on the basis of organisational objectives premises. Key Result Areas (KRA) are arranged on a priority basis.

KRA indicates the strength of an organisation. The examples of KRA are profitability, market standing, innovation etc.

III. Short Answer Questions:

1. Write the features of MBO.

Features of MBO

1. An attempt is made by the management to integrate the goals of an organisation and individuals. This will lead to effective management.

2. MBO tries to combine the long run goals of organisation with short run goals.
3. Management tries to relate the organisation goals with society goals.
4. MBO's emphasis is not only on goals but also on effective performance.
5. It pays constant attention to refining, modifying and improving the goals and changing the approaches to achieve the goals on the basis of experience.
6. It increases the organisational capability of achieving goals at all levels.

2. What are the Process of MBE?

Process of MBE

Primarily, it is necessary to set objectives or norms with predictable or estimated results.

These performances are assessed and get equated to the actual performance. Next, the deviation gets analysed. With an insignificant or no deviation, no action is required and senior managers can concentrate on other matters. If actual performances deviates significantly, the issue needs to be passed to the senior managers, as an "exception has occurred". Finally, the aim is to solve this "exception" immediately.

3. List out any three process of MBO.

Process of MBO

1. Defining Organisational Objectives

Initially, organisational objectives are framed by the top level employees of an organisation. Then, it moves downwards. The definition of organisational objectives states why the business is started and exists. First, long-term objectives are framed. Then, Short-term objectives are framed taking into account the feasibility of achieving the long term objectives.

2. Goals of Each Section

Objectives for each section, department or division are framed on the basis of overall objectives of the organisation. Period within which these objectives should be achieved is also fixed. Goals or objectives are expressed in a meaningful manner.

3. Fixing Key Result Areas

Key result areas are fixed on the basis of organisational objectives premises. Key Result Areas (KRA) are arranged on a priority basis. KRA indicates the strength of an organisation. The examples of KRA are profitability, market standing, innovation etc.

IV. Long Answer Questions:

1. What are the major advantages of MBO? (any 5)

Advantages of MBO

The advantages of MBO are explained below:

1. Managers are involved in objectives setting at various levels of management under MBO and this commitment ensures hard work to achieve them.
2. MBO process helps the managers to understand their role in the total organisation.
3. Manager recognises the need for planning and appreciates the planning.
4. MBO provides a foundation for participative management. Sub-ordinates are also involved in goal setting.
5. A department does not work at cross purpose with another department. In other words, each department's objectives are consistent with the objectives of the whole organisation.
6. Systematic evaluation of performance is made with the help of MBO.
7. MBO gives the criteria of performance. It helps to take corrective action.

2. What are the advantages of MBE? (any 5)

ADDITIONAL QUESTIONS

Advantages of MBE

Management by exception provides the following benefits:

- i. It saves the time of managers because they deal only with exceptional matters. Routine problems are left to subordinates.
- ii. It focuses managerial attention on major problems. As a result, there is better utilisation of managerial talents and energy.
- iii. It facilitates delegation of authority. Top management concentrates on strategic decisions and operational decisions are left to the lower levels. There is increase in span of control. This leads to motivation and development of subordinates.
- iv. It is a technique of separating important information from unimportant one. It forces managers to review past history and study related business data for identifying deviations. There is better use of knowledge of trends, history and available business data.
- v. MBE keeps management alert to opportunities and threats by identifying critical problems. It can avoid uninformed and impulsive action.
- vi. Management by exception provides better yardsticks for judging results. It is helpful in objective performance appraisal.

3. Discuss the disadvantages of MBE.

Disadvantages of MBE

- i. The main disadvantage of MBE is, only managers have the power over really important decisions, which can be demotivating for employees at a lower level.
- ii. Furthermore, it takes time to pass the issues to managers. Managing employees who deviate from the normal procedures. Because of compliance failures are considered difficult to manage and typically find themselves with limited job duties and ultimately dismissed/terminated.

1. What are the Disadvantages of MBO?

The disadvantages of MBO arise due to the application of the MBO which are discussed below:

1. MBO fails to explain the philosophy; most of the executives do not know how MBO works?
what is MBO? and why is MBO necessary?
and how participants can benefit by MBO?
2. MBO is a time consuming process. Much time is needed by senior people for framing the MBO. Next, it leads to heavy expenditure and also requires heavy paper work.
3. MBO emphasises only on short-term objectives and does not consider the long term objectives.
4. The status of subordinates is necessary for proper objectives setting. But, this is not possible in the process of MBO.
5. MBO is rigid one. Objectives should be changed according to the changed circumstances, external or internal. If it is not done, the planned results cannot be obtained.

UNIT II FINANCIAL MARKETS – I

INTRODUCTION TO FINANCIAL MARKETS

CHAPTER 4

CHAPTER SYNOPSIS

4.01 Meaning and Definition of Financial Market

4.02 Scope of Indian Financial Market

4.03 Types of Financial Markets

4.04 Role of Financial Market

4.05 Functions of Financial Market

4.06 New Issue Market (NIM) Vs. Secondary Market

Important Points

INDIAN FINANCIAL SYSTEM

ORGANISED:

1. Regulators
2. Financial Institutions
3. Financial Markets
4. Financial Services

UNORGANISED:

1. Money Lenders
2. Indegenours Bankers

A market wherein financial instruments such as financial claims, assets and securities are traded is known as a 'financial market'.

According to Brigham, Eugene F, "The place where people and organizations wanting to borrow money are brought

together with those having surplus funds is called a financial market."

A financial market is an institution or arrangement that facilitates the exchange of financial instruments such as equity shares, preference shares, debentures, deposits and loans, corporate stocks and bonds, government bonds, and more exotic instruments such as options and futures contracts.

Financial market transactions may take place either at a specific place or location, e.g. stock exchange, or through other mechanisms such as telephone, telex, or other electronic media.

Types of Financial Markets

Financial Markets can be classified in different ways. They are as follows:

a. On the Basis of Type of Financial Claim

(i) **Debt Market** is the financial market for trading in Debt Instrument (i.e.

Government Bonds or Securities, Corporate Debentures or Bonds)

(ii) **Equity Market** is the financial market for trading in Equity Shares of Companies.

b. On the Basis of Maturity of Financial Claim

(i) **Money Market** is the market for short term financial claim (usually one year or less) E.g. Treasury Bills, Commercial Paper, Certificates of Deposit

(ii) **Capital Market** is the market for long term financial claim more than a year E.g. Shares, Debentures

c. On the Basis of Time of Issue of Financial Claim

(i) **Primary Market** is a term used to include all the institutions that are involved in the sale of securities for the first time by the issuers (companies). Here

the money from investors goes directly to the issuers.

(ii) **Secondary Market** is the market for securities that are already issued. Stock Exchange is an important institution in the secondary market.

d. On the Basis of Timing of Delivery of Financial Claim

(i) **Cash/Spot Market** is a market where the delivery of the financial instrument and payment of cash occurs immediately. i.e. settlement is completed immediately.

(ii) **Forward or Futures Market** is a market where the delivery of asset and payment of cash takes place at a pre-determined time frame in future.

e. On the Basis of the Organizational Structure of the Financial Market

(i) **Exchange Traded Market** is a centralized organization (stock exchange) with standardized procedures.

(ii) **Over-the-Counter Market** is a decentralized market (outside the stock exchange) with customized procedures.

The above classification is not rigid. One market may come under more than one category.

I. Choose the Correct Answers:

1. Financial market facilitates business firms

- To rise funds
- To recruit workers
- To make more sales
- To minimize fund requirement

2. Capital market is a market for

- Short Term Finance
- Medium Term Finance
- Long Term Finance

d) Both Short Term and Medium Term Finance

3. Primary market is also called as

- Secondary market
- Money market
- New Issue Market
- Indirect Market

4. Spot Market is a market where the delivery of the financial instrument and payment of cash occurs

- Immediately
- In the future
- Uncertain
- After one month

5. How many times a security can be sold in a secondary market?

- Only one time
- Two time
- Three times
- Multiple times

Answers:

1 a 2 c 3 c 4 a 5 d

II. Very Short Answer Questions:

1. What are the components of organized sectors?

ORGANISED:

- Regulators
- Financial Institutions
- Financial Markets
- Financial Services

2. What is Spot Market?

Cash/Spot Market is a market where the delivery of the financial instrument and payment of cash occurs immediately. i.e. settlement is completed immediately.

3. What is Debt Market?

Debt Market is the financial market for trading in Debt Instrument (i.e. Government Bonds or Securities, Corporate Debentures or Bonds)

4. How is price decided in a Secondary Market?

Fluctuates, depends on the demand and supply force

III. Short Answer Questions:

1. Give the meaning of Financial Market.

A market wherein financial instruments such as financial claims, assets and securities are traded is known as a 'financial market'.

2. Write a note on Secondary Market.

Secondary Market is the market for securities that are already issued. Stock Exchange is an important institution in the secondary market.

3. Bring out the scope of Financial Market in India.

Scope of Indian Financial Market

The financial market provides financial assistance to individuals, agricultural sectors, industrial sectors, service sectors, financial institutions like banks, insurance sectors, provident funds and the government as a whole. With the help of the financial market all the above stated individuals, institutions and the Government can get their required funds in time. Through the financial market the institutions get their short term as well as long term financial assistance. It leads to the overall economic development.

IV. Long Answer Questions:

1. Distinguish between New issue market and Secondary Market. (any 5)

2. Enumerate the different types of Financial Markets. (any 5)

Types of Financial Markets

Financial Markets can be classified in different ways. They are as follows:

a. On the Basis of Type of Financial Claim

(i) **Debt Market** is the financial market for trading in Debt Instrument (i.e. Government Bonds or Securities, Corporate Debentures or Bonds)

(ii) **Equity Market** is the financial market for trading in Equity Shares of Companies.

b. On the Basis of Maturity of Financial Claim

(i) **Money Market** is the market for short term financial claim (usually one year or less) E.g. Treasury Bills, Commercial Paper, Certificates of Deposit

(ii) **Capital Market** is the market for long term financial claim more than a year E.g. Shares, Debentures

c. On the Basis of Time of Issue of Financial Claim

(i) **Primary Market** is a term used to include all the institutions that are involved in the sale of securities for the first time by the issuers (companies). Here the money from investors goes directly to the issuers.

(ii) **Secondary Market** is the market for securities that are already issued. Stock Exchange is an important institution in the secondary market.

d. On the Basis of Timing of Delivery of Financial Claim

(i) **Cash/Spot Market** is a market where the delivery of the financial instrument and payment of cash occurs immediately. i.e. settlement is completed immediately.

(ii) **Forward or Futures Market** is a market where the delivery of asset and payment of cash takes place at a pre-determined time frame in future.

e. On the Basis of the Organizational

Structure of the Financial Market

(i) **Exchange Traded Market** is a centralized organization (stock exchange) with standardized procedures.

(ii) **Over-the-Counter Market** is a decentralized market (outside the stock exchange) with customized procedures.

The above classification is not rigid. One market may come under more than one category.

3. Discuss the role of Financial Market.

Role of Financial Market

One of the important requisites for the accelerated development of an economy is the existence of a dynamic and a resilient financial market. A financial market is of great use for a country as it helps the economy in the following manner:

(i) Savings Mobilization

Obtaining funds from the savers or 'surplus' units such as household individuals, business firms, public sector units, Government is an important role played by financial markets.

(ii) Investment

Financial market plays a key role in arranging the investment of funds thus collected, in those units which are in need of the same.

(iii) National Growth

Financial markets contribute to a nation's growth by ensuring an unfettered flow of surplus funds to deficit units. Flow of funds for productive purposes is also made possible. It leads to overall economic growth.

(iv) Entrepreneurship Growth

Financial markets contribute to the development of the entrepreneurial class by making available the necessary financial resources.

(v) Industrial Development

The different components of financial markets help an accelerated growth of industrial and economic development of a

country and thus contributing to raising the standard of living and the society's well-being.

ADDITIONAL QUESTIONS

1. Define Financial Market.

According to Brigham, Eugene F, "The place where people and organizations wanting to borrow money are brought together with those having surplus funds is called a financial market."

2. List Classification of Financial Assets?

- (i) Marketable assets
- (ii) Non-marketable assets

2. What are the Functions of Financial Markets?

A financial market renders the following functions:

I. Intermediary Functions

The intermediary functions of a financial market include the following:

(i) **Transfer of Resources:** Financial markets

facilitate the transfer of real economic resource from lenders to ultimate borrowers.

(ii) **Enhancing Income:** Financial markets allow lenders earn interest/dividend on their surplus investible funds and thus contributing to the enhancement of the individual and the national income.

(iii) **Productive Usage:** Financial markets allow for the productive use of the funds borrowed and thus enhancing the income and the gross national production.

(iv) **Capital Formation:** Financial markets

provide a channel through which new savings flow to aid capital formation of a country.

(v) **Price Determination:** Financial markets allow for the determination of the price of the traded financial asset through the interaction of buyers and sellers. They provide a signal for the allocation of funds in the economy, based on the demand and supply, through the mechanism called price discovery processes.

(vi) **Sale Mechanism:** Financial market provides a mechanism for selling of a financial asset by an investor so as to offer the benefits of marketability and liquidity of such assets.

(vii) **Information:** The activities of the participants in the financial market result in the generation and the consequent dissemination of information to the various segments of the markets, so as to reduce the cost of transaction of financial assets.

II. Financial Functions

The financial functions of a financial market include the following:

- (i) Providing the borrowers with funds so as to enable them to carry out their investment plans
- (ii) Providing the lenders with earning assets so as to enable them to earn wealth by deploying the assets in productive ventures
- (iii) Providing liquidity in the market so as to facilitate trading of funds.

3. Write a short note on Marketable Assets

Marketable assets are those which can be easily transferred from one person to another without much hindrance. Example: Shares of Listed Companies, Government Securities, Bonds of Public Sector Undertakings etc

4. Write a short notes on Non-Marketable Assets

On the other hand, if the assets cannot be

transferred easily, they come under this category. Example: Bank Deposits, Provident Funds, Pension Funds, National Savings Certificates, Insurance Policies etc.

UNIT TEST QUESTIONS

I. Choose the Correct Answers:

1. Financial market facilitates business firms

- a) To rise funds
- b) To recruit workers
- c) To make more sales
- d) To minimize fund requirement

2. Capital market is a market for

- a) Short Term Finance
- b) Medium Term Finance
- c) Long Term Finance
- d) Both Short Term and Medium Term Finance

3. Primary market is also called as

- a) Secondary market
- b) Money market
- c) New Issue Market
- d) Indirect Market

4. Spot Market is a market where the delivery

of the financial instrument and payment of cash occurs

- a) Immediately
- b) In the future
- c) Uncertain
- d) After one month

5. How many times a security can be sold in

a secondary market?

- a) Only one time
- b) Two time
- c) Three times
- d) Multiple times

II. Very Short Answer Questions:

1. What are the components of organized sectors?
2. What is Spot Market?
3. What is Debt Market?
4. How is price decided in a Secondary Market?

III. Short Answer Questions:

1. Give the meaning of Financial Market.
2. Write a note on Secondary Market.
3. Bring out the scope of Financial Market in India.

IV. Long Answer Questions:

1. Distinguish between New issue market and Secondary Market. (any 5)
2. Enumerate the different types of Financial Markets. (any 5)
3. Discuss the role of Financial Market.

UNIT II FINANCIAL MARKETS – I

CHAPTER 5 CAPITAL MARKET

CHAPTER SYNOPSIS**5.01 Meaning and Definition****5.02 Characteristics of Capital Market****5.03 Kinds of Capital Market****5.04 Functions and Importance of Capital Market****5.05 Indian Capital Market – Evolution and Growth****5.06 New Financial Institutions****Important Points**

Capital market is a market where buyers and sellers engage in trade of financial securities like bonds, and stocks

According to Arun K. Datta, capital market may be defined as “a complex of institutions investment and practices with established links between the demand for and supply of different types of capital gains”.

Capital Market:

Primary Market

Secondary Market

Commodity Market**Hard Commodities Market****Soft Commodities Market**

Hard commodities are raw materials typically mined, such as gold, oil, rubber, iron, and ore.

Soft commodities are typically grown agricultural primary products such as wheat, cotton, coffee, and sugar.

I. Choose the Correct Answers:

1. Capital market do not provide

- a) Short term Funds
- b) Debenture Funds
- c) Equity Funds
- d) Long term Funds

2. When the NSEI was established

- a) 1990 b) 1992
- c) 1998 d) 1997

3. Primary market is a Market where securities**are traded in the**

- a) First Time b) Second Time
- c) Three Time d) Several Times

4. Participants in the Capital Market includes

- a) Individuals b) Corporate
- c) Financial Institutions d) All of the above

5. The _____ was set up by a premier financial institution to allow the trading of securities across the electronic counters**throughout the country.**

- a) OTCEI b) Factoring
- c) Mutual Funds d) Venture Funds Institutions

Answers:

1 a 2 b 3 a 4 d 5 a

II. Very Short Answer Questions:**1. What is Capital Market?**

Capital market is a market where buyers and sellers engage in trade of financial securities like bonds, and stocks. The buying/selling is undertaken by participants such as individuals and institutions. Capital market forms an important core of a country's financial system.

2. Write a note on OTCEI.**Over the Counter Exchange of India (OTCEI)**

The OTCEI was set up by a premier financial institution to allow the trading of securities across the electronic counters throughout the country. It addresses some

specific problems of both investors and mediumsize companies. Some of the greatest strengths of OTCEI are transparency of transactions, quick deals, faster settlements and better liquidity.

3 Who are the participants in a Capital Market?**Participants**

There are many players in the capital market. The participants of the capital market include individuals, corporate sectors, Govt., banks and other financial institutions.

4. How is price determined in a Capital Market?**Price**

The price of the securities is determined based on the demand and supply prevailing in the capital market for securities.

III. Short Answer Questions:**1. What are the various kinds of Capital Market? Explain (any 3)****Kinds of Capital Market**

The capital market is divided into two i.e., primary market and secondary market as shown in the following chart.

Capital Market
Primary Market Secondary Market

I Primary Market

Primary market is a market for new issues or new financial claims. Hence, it is also called New Issue Market. The primary market deals with those securities which are issued to the public for the first time. In the primary market, borrowers exchange new financial securities for long term funds. Thus, primary market facilitates capital formations.

There are three ways by which a company

may raise capital in a primary market. They are:

(i) Public Issue:

The most common method of raising capital by new companies is through sale of securities to the public. It is called public issue.

(ii) Rights Issue:

When an existing company wants to raise additional capital, securities are first offered to the existing shareholders on a pre-emptive basis. It is called rights issue.

(iii) Private Placement:

Private placement is a way of selling securities privately to a small group of investors.

II Secondary Market

Secondary Market may be defined as the market for old securities, in the sense that securities which are previously issued in the primary market are traded here. The trading takes place between investors who follow the original issue in the primary market. It covers both stock exchange and over-the counter market.

2. Explain any two functions of Capital Market.

(i) Savings and Capital Formation

In capital market, various types of securities help to mobilize savings from various sectors of population (Individuals, Corporate, Govt., etc.). The twin features of reasonable return and liquidity in stock exchange are definite incentives to the people to invest in securities. This accelerates the capital formation in the country.

(ii) Permanent Capital

The existence of a capital market/stock exchange enables companies to raise permanent capital. The investors cannot commit their funds for a permanent period but companies require funds permanently. The stock exchange resolves this dash of interests by offering an opportunity to investors to buy or sell their securities,

while permanent capital with the company remains unaffected.

(iii) Industrial Growth

The stock exchange is a central market through which resources are transferred to the industrial sector of the economy. The existence of such an institution encourages people to invest in productive channels. Thus it stimulates industrial growth and economic development of the country by mobilizing funds for investment in the corporate securities.

3. Explain about Factoring and Venture Capital Institutions.

Factoring Institutions

“Factoring” is an arrangement whereby a financial institution provides financial accommodation on the basis of assignment/ sale of account receivables. The factoring institutions collect the book debts for and on behalf of its clients. Some of the factoring institutions operating in India are SBI Factors and Commercial Services Private Limited, a subsidiary of State Bank of India and Canbank Factors Limited, a subsidiary of Canara Bank.

Venture Fund Institutions

Venture capital financing is a form of equity financing designed especially for funding new and innovative project ideas. Venture capital funds bring into force the hitechnology projects which are converted into commercial production. Many specialized financial institutions have promoted their own venture capital funds. They include Risk Capital Foundation of IFCI, Venture Fund of IDBI, SIDBI, Technology Development and Infrastructure Corporation of India (TDICI), and others.

IV. Long Answer Questions:

1. Discuss the characters of a Capital Market.

Characteristics of Capital Market

Following are the nature/characteristic of a capital market:

(i) Securities Market

The dealings in a capital market are done through the securities like shares, debentures, etc. The capital market is thus called securities market.

(ii) Price

The price of the securities is determined based on the demand and supply prevailing in the capital market for securities.

(iii) Participants

There are many players in the capital market. The participants of the capital market include individuals, corporate sectors, Govt., banks and other financial institutions.

(iv) Location

Capital market is not confined to certain specific locations, although it is true that parts of the market are concentrated in certain wellknown centers known as Stock Exchanges. It has its impact in the overall economy, wherever suppliers and users of capital get together and do business.

(v) Market for Financial Assets

Capital market provides a transaction platform for long term financial assets.

2. Briefly explain the functions of Capital Market. (any 5)

Functions of Capital Market

(i) Savings and Capital Formation

In capital market, various types of securities help to mobilize savings from various sectors of population (Individuals, Corporate, Govt., etc.). The twin features of reasonable return and liquidity in stock exchange are definite incentives to the people to invest in securities. This accelerates the capital formation in the country.

(ii) Permanent Capital

The existence of a capital market/stock exchange enables companies to raise permanent capital. The investors cannot commit their funds for a permanent period but companies require funds permanently. The stock exchange resolves this dash of interests by offering an opportunity to investors to buy or sell their securities, while permanent capital with the company remains unaffected.

(iii) Industrial Growth

The stock exchange is a central market through which resources are transferred to the industrial sector of the economy. The existence of such an institution encourages people to invest in productive channels. Thus it stimulates industrial growth and economic development of the country by mobilizing funds for investment in the corporate securities.

(iv) Ready and Continuous Market

The stock exchange provides a central convenient place where buyers and sellers can easily purchase and sell securities. Easy marketability makes investment in securities more liquid as compared to other assets.

(v) Reliable Guide to Performance

The capital market serves as a reliable guide to the performance and financial position of corporate, and thereby promotes efficiency.

(vi) Proper Channelization of Funds

The prevailing market price of a security and relative yield are the guiding factors for the people to channelize their funds in a particular company. This ensures effective utilisation of funds in the public interest.

(vii) Provision of Variety of Services

The financial institutions functioning in the capital market provide a variety of services such as grant of long term and medium term loans to entrepreneurs, provision of underwriting facilities,

assistance in promotion of companies, participation in equity capital, giving expert advice etc.

3. Explain the various types of New Financial Institutions. (any 5)

i) Venture Fund Institutions

Venture capital financing is a form of equity financing designed especially for funding new and innovative project ideas. Venture capital funds bring into force the hitechnology projects which are converted into commercial production. Many specialized financial institutions have promoted their own venture capital funds. They include Risk Capital Foundation of IFCI, Venture Fund of IDBI, SIDBI, Technology Development and Infrastructure Corporation of India (TDICI), and others.

(ii) Mutual Funds

Financial institutions that provide facilities for channeling savings of small investors into avenues of productive investments are called 'Mutual Funds'. A mutual fund company invests the funds pooled from shareholders and gives them the benefit of diversified investment portfolio and a reasonable return.

Specialized financial institution like LIC, UTI, etc., beside commercial banks such as SBI, and Canara Bank are carrying out the business of mutual funds. The benefits of mutual fund are high return, easy liquidity, safety and tax benefits to the investors.

(iii) Factoring Institutions

"Factoring" is an arrangement whereby a financial institution provides financial accommodation on the basis of assignment/ sale of account receivables. The factoring institutions collect the book debts for and on behalf of its clients. Some of the factoring institutions operating in India are SBI Factors and Commercial Services Private Limited, a subsidiary of

State Bank of India and Canbank Factors Limited, a subsidiary of Canara Bank.

(iv) Over the Counter Exchange of India (OTCEI)

The OTCEI was set up by a premier financial institution to allow the trading of securities across the electronic counters throughout the country. It addresses some specific problems of both investors and mediumsize companies. Some of the greatest strengths of OTCEI are transparency of transactions, quick deals, faster settlements and better liquidity.

(v) National Stock Exchange of India Limited (NSEI)

NSEI was established in 1992 to function as a model stock exchange. The Exchange aims at providing the advantage of nationwide electronic screen based "scripless" and "floorless" trading system in securities. The institution is expected to allow for an efficient and transparent system of securities trading.

(vi) National Clearance and Depository System (NCDS)

Under the scripless trading system, settlement of transactions relating to securities takes place through a book entry. The entire scripless trading system comprises the following three segments:

a. National Trade Comparison and Reporting

System which prescribes the terms and conditions of contract for the securities market

b. National Clearing System which aims at determining the net cash and stock liability of each broker on a settlement date

c. National Depository System which arranges to provide for the transfer of ownership of securities in exchange on payment by book entry on electronic ledgers without any physical movement of transfer deed

(vii) National Securities Depositories Limited (NSDL)

The NSDL was set up in the year 1996

for achieving a time bound dematerialization as well as rematerialization of shares. The establishment of NSDL is expected to alleviate the problems of post trade transactions in the secondary market.

ADDITIONAL QUESTIONS

1. Wrote short notes on Capital Market. The term capital market refers to the facilities and institutional arrangements through which long-term funds, both debt and equity are raised and invested. It consists of a series of channels through which savings of the community are made available for industrial and commercial enterprises and for the public in general.

2. Define Capital Market.

According to Arun K. Datta, capital market may be defined as “a complex of institutions investment and practices with established links between the demand for and supply of different types of capital gains”.

3. Explain Indian Capital Market – Evolution and Growth?

The period between 1947 and 1973 marked the development of infrastructure for capital market. During this period, a network of development financial institutions such as IFCI, ICICI, IDBI and UTI, SFCs and SIDCs were established. These financial institutions strengthened the capital market.

During the period between 1980 and 1992, debenture emerged as a powerful instrument of resource mobilization in the primary market. The public sector bonds were introduced. A number of stock exchanges came into existence. There was a momentous growth in the secondary market.

SEBI emerged as an effective regulatory body for the primary and secondary markets and afford a measure of protection to small investors. New financial services such as credit rating was introduced.

A number of committees were constituted in order to suggest measures to revamp and restructure the working of the secondary market and cause buoyancy in the primary market. Some of these committees were:

Committee on Organization and Management of Stock Exchange, Working group on the Development of the Capital Market, A Study Group for Guidelines Relating to Valuation and New Instruments, A High Powered Study Group on Establishment of New Stock Exchange, A Committee on Trading in Public Sector Bonds and Units of Mutual Funds.

4. What is Foreign Exchange Market?

I. Commodity Market

The commodity market manages the trading in primary products which takes place in about 50 major commodity markets where financial transactions increasingly outstrip physical purchases which are to be delivered.

Commodities are commonly classified in two subgroups.

- **Hard Commodities Market**
- **Soft Commodities Market**

Hard commodities are raw materials typically mined, such as gold, oil, rubber, iron, and ore.

Soft commodities are typically grown agricultural primary products such as wheat, cotton, coffee, and sugar.

II. Derivatives Market

Derivatives market facilitates the trading in financial instruments such as futures contracts and options used to help control financial risk. The instruments derive their value mostly from the value of an underlying asset that can come in many forms – stocks, bonds, commodities, currencies or mortgages.

UNIT II FINANCIAL MARKETS –I

CHAPTER 6 MONEY MARKET

CHAPTER SYNOPSIS

6.01 Meaning and Definition

6.02 Objectives and Characteristics

6.03 Difference between Money Market and Capital Market

6.04 Participants in Money Markets

6.05 Money Market Instruments

6.05.01 Treasury Bills

6.05.02 Certificate of Deposit

6.05.03 Commercial Bills

6.05.04 Government or Gilt-Edged Securities Market.

Important Points

Money Market

Money Market is a market for purely short-term funds. It deals with the financial assets and securities whose maturity period does not exceed one year.

Money Market is the segment of financial markets where in financial instruments having maturities of less than one year are traded. Examples: Treasury Bills, Commercial Bills, Certificate of Deposits, Government Securities, etc., According to Crowther, "the money market is the collective name given to the various firms and institutions that deal in the various grades of near money".

The RBI defines the money market as, "a market for short-term financial assets that are close substitutes for money facilitates the exchange of money for new

financial claims in the primary market as also for financial claims, already issued, in the secondary market”.

Treasury Bills are issued to the public and other financial institutions for meeting the short-term financial requirements of the Central Government. These bills are freely marketable and they can be bought and sold at any time and these bill are tradable in secondary market as well.

Commercial Bills

A bill of exchange issued by a commercial organization to raise money for short- term needs. These bills are of 30 days, 60 days and 90 days maturity.

The Commercial Bill is an instrument drawn by a seller of goods on a buyer of goods.

It possesses the advantages like self-liquidating

in nature, recourse to two parties, knowing exact date of transactions, transparency of transactions etc.,

I. Choose the Correct Answers:

1. The money invested in the call money market provides high liquidity with

_____.

- a) Low Profitability
- b) High Profitability
- c) Limited Profitability
- d) Medium Profitability

2. A major player in the money market is

the _____.

- a) Commercial Bank
- b) Reserve Bank of India
- c) State Bank of India
- d) Central Bank.

3. Debt Instruments are issued by Corporate

Houses are raising short-term financial resources from the money market are called _____.

- a) Treasury Bills
- b) Commercial Paper
- c) Certificate of Deposit

d) Government Securities

4. The market for buying and selling of Commercial Bills of Exchange is known as a _____.

- a) Commercial Paper Market
- b) Treasury Bill Market
- c) Commercial Bill Market
- d) Capital Market

^{12th}

5. A marketable document of title to a time

deposit for a specified period may be referred to as a _____.

- a) Treasury Bill
- b) Certificate of Deposit
- c) Commercial Bill
- d) Government. Securities

Answers:

1 a 2 a 3 b 4 c 5 b

II. Very Short Answer Questions:

1. What is a CD market?

Certificate of Deposits are short-term deposit instruments issued by banks and financial institutions to raise large sums of money. Certificate of Deposits are issued in the form of usance promissory notes. They are easily convertible in nature and are in marketable form having particular face value and maturity.

2. What is Government Securities Market?

Government or Gilt-Edged Securities Market

A market whereby the Government or gilt-edged securities can be bought and sold is called ‘Government Securities Market’.

3. What do you meant by Auctioning?

Auctioning

A method of trading whereby merchants

bid against one another and where the securities are sold to the highest bidder is known as 'auctioning'.

4. What do you mean by Switching?

Switching

The purchase of one security against the sale of another security carried out by the RBI in the secondary market as part of its open market operations is described as 'Switching'.

III. Short Answer Questions:

1. What are the features of Treasury Bills? (any 3)

General Features

Treasury Bills incorporate the following general features.

1. Issuer
2. Finance Bills
3. Liquidity
4. Vital Source
5. Monetary Management

2. Who are the participants of Money Market? (any 3)

Participants in Money Markets

1. Government of different countries
2. Central Banks of different countries
3. Private and Public Banks
4. Mutual Funds Institutions
5. Insurance Companies

3. Explain the types of Treasury Bills? (any 3)

Types of Treasury Bills

Treasury Bills are issued to the public and other financial institutions for meeting the short-term financial requirements of the Central Government. These bills are freely marketable and they can be bought

and sold at any time and these bills are tradable in secondary market as well.

On the basis of periodicity, Treasury Bills may be classified into three. They are:

- 1) 91 days Treasury Bills
- 2) 182 days Treasury Bills and
- 3) 364 days Treasury Bills

Ninety one days Treasury Bills are issued at a fixed discount rate of 4 per cent as well as through auctions. The RBI holds 91 days and 182 Treasury Bills and they are issued on tap basis throughout the week. 364 days Treasury Bills do not carry any fixed rate. The discount rate on these bills are quoted in auction by the participants and accepted by the authorities. Such a rate is called cut off rate.

2. What are the types of Commercial Bill? (any 3)

Types of Commercial Bills

a. Demand Bills

A demand bill is one wherein no specific time of payment is mentioned. So, demand bills are payable immediately when they are presented to the drawee.

b. Clean bills and documentary Bills

Bills that are accompanied by documents of title to goods are called documentary bills.

Clean bills are drawn without accompanying any document.

E.g. Railway Receipt and Lorry Receipt

c. Inland bills and Foreign Bills

Bills that are drawn and payable in India on a person who is resident in India are called inland bills. Bills that are drawn outside India and are payable either in India or outside India are called foreign bills.

d. Indigenous Bills

The drawing and acceptance of indigenous bills are governed by native custom or usage of trade.

e. Accommodation Bills

Accommodation bills are those which do not arise out of genuine trade of transactions.

IV. Long Answer Questions:

1. Differentiate between the Money Market and Capital Market. (any 5)

Sl. No	Features	Money Market	Capital Market
1	Duration of Funds	It is a market for short-term loanable funds for a period of not exceeding one year.	It is a market for long-term funds exceeding period of one year.
2	Supply of Funds	This market supplies funds for financing current business operations working capital requirements of industries and short period requirements of the government.	This market supplies funds for financing the fixed capital requirements of trade and commerce as well as the long-term requirements of the government.
3	Deals with Instruments	It deals with instruments like commercial bills (bill of exchange, treasury bill, commercial papers etc.).	It deals with instruments like shares, debentures, Government bonds, etc.,

2. Explain the characteristics of Money Market? (any 5)

Characteristics

1. Short-term Funds

It is a market purely for short-term funds or financial assets called near money.

2. Maturity Period

It deals with financial assets having a maturity period upto one year only.

3. Conversion of Cash

It deals with only those assets which can be converted into cash readily without loss and with minimum transaction cost.

4. No Formal Place

Generally, transactions take place through phone, i.e., oral communication. Relevant documents and written communications can be exchanged subsequently. There is no formal place like stock exchange as in the case of a capital market.

5. Sub-markets

It is not a single homogeneous market. It comprises of several sub-markets each specialising in a particular type of financing. E.g., Call Money Market, Acceptance Market,

Bill Market.

6. Role of Market

The components of a money market are the Central Bank, Commercial Banks, Non-Banking Financial Companies, Discount Houses and Acceptance House. Commercial banks generally play a dominant role in this market.

7. Highly Organized Banking System

The Commercial Banks are the nerve centre of the whole money market. They are the principal suppliers of short-term funds.

The commercial banks serve as vital link between the Central Bank and the various segments of the money market.

3. What are the characteristics of Government Securities? (any 5) Characteristics

1. Agencies

Government securities are issued by agencies such as Central Government, State Governments, semi-government authorities like local Government authorities, e.g. municipalities, autonomous institution such as metropolitan authorities, port trusts etc.,

2. RBI Special Role

RBI takes a special and an active role in the purchase and sale of these securities as part of its monetary management exercise.

3. Nature of Securities

Securities offer a safe avenue of investment through guaranteed payment of interest and repayment of principal by the Government.

4. Liquidity Profile

The liquidity profile of gilt-edged securities varies. Accordingly liquidity profile of securities issued by Central Government is high.

5. Tax Rebate

A striking feature of these securities is that they offer wide-range of tax incentives to investors. This has made these securities very popular for this benefit.

6. Market

As each sale and purchase has to be

negotiated separately, the Gilt-Edged Market is an Over-The-Counter Market. The Government securities market in India has two segments namely primary market and secondary market.

7. Forms

The securities of Central and State Government take such forms as inscribed stock or stock certificate, promissory note and bearer bond.

ADDITIONAL QUESTIONS

1. What is meant by Money Market?

Money Market is a market for purely short-term funds. It deals with the financial assets and securities whose maturity period does not exceed one year.

Money Market is the segment of financial markets where in financial instruments having maturities of less than one year are traded. Examples: Treasury Bills, Commercial Bills, Certificate of Deposits, Government Securities, etc.,

2. Define Money Market.

According to Crowther, "the money market is the collective name given to the various firms and institutions that deal in the various grades of near money".

The RBI defines the money market as, "a market for short-term financial assets that are close substitutes for money facilitates the exchange of money for new financial claims in the primary market as also for financial claims, already issued, in the secondary market".

3. What are the Objectives of Money Market?

A well-developed Money Market serves the following objectives:

1. Providing an equilibrium mechanism for ironing out short-term surplus and deficits.

2. Providing a focal point for Central Bank intervention for influencing liquidity in the company.
3. Providing access in uses to users of shortterm money to meet their requirements at a reasonable price.

4. What are the Characteristics of Money Market?

1. Short-term Funds

It is a market purely for short-term funds or financial assets called near money.

2. Maturity Period

It deals with financial assets having a maturity period upto one year only.

3. Conversion of Cash

It deals with only those assets which can be converted into cash readily without loss and with minimum transaction cost.

4. No Formal Place

Generally, transactions take place through phone, i.e., oral communication. Relevant documents and written communications can be exchanged subsequently. There is no formal place like stock exchange as in the case of a capital market.

5. Sub-markets

It is not a single homogeneous market. It comprises of several sub-markets each specialising in a particular type of financing.

E.g., Call Money Market, Acceptance Market, Bill Market.

What are the difference between a money market and capital market?

4. What is meant by Commercial Bills and Features?

The Commercial Bill is an instrument drawn by a seller of goods on a buyer of goods.

It possesses the advantages like self-liquidating

in nature, recourse to two parties, knowing exact date of transactions, transparency of transactions etc.,

Features

The features of the Commercial Bills are as follows:

1. Drawer
2. Acceptor
3. Payee
4. Discounter
5. Endorser
6. Assessment
7. Maturity
8. Credit Rating

UNIT TEST QUESTIONS

I. Choose the Correct Answers:

1. The money invested in the call money market provides high liquidity with _____.

- a) Low Profitability
- b) High Profitability
- c) Limited Profitability
- d) Medium Profitability

2. A major player in the money market is the _____.

- a) Commercial Bank
- b) Reserve Bank of India
- c) State Bank of India
- d) Central Bank.

3. Debt Instruments are issued by Corporate

Houses are raising short-term financial resources from the money market are called _____.

- a) Treasury Bills
- b) Commercial Paper
- c) Certificate of Deposit
- d) Government Securities

4. The market for buying and selling of Commercial Bills of Exchange is known as a _____.

- a) Commercial Paper Market
- b) Treasury Bill Market
- c) Commercial Bill Market
- d) Capital Market

5. A marketable document of title to a time

deposit for a specified period may be referred to as a _____.

- a) Treasury Bill
- b) Certificate of Deposit
- c) Commercial Bill
- d) Government. Securities

II. Very Short Answer Questions:

1. What is a CD market?
2. What is Government Securities Market?
3. What do you mean by Auctioning?
4. What do you mean by Switching?

III. Short Answer Questions:

1. What are the features of Treasury Bills? (any 3)
2. Who are the participants of Money Market? (any 3)

3. Explain the types of Treasury Bills? (any 3)

4. What are the types of Commercial Bill? (any 3)

IV. Long Answer Questions:

1. Differentiate between the Money Market and Capital Market. (any 5)

2. Explain the characteristics of Money Market? (any 5)

3. What are the characteristics of Government Securities? (any 5)

UNIT II FINANCIAL MARKETS – II

CHAPTER 7 STOCK EXCHANGE

CHAPTER SYNOPSIS

CHA Synopsis

7.01 Stock Exchange – Origin, Meaning and Definition

7.02 Functions of Stock Exchange

7.03 Features of Stock Exchange

7.04 Benefits and Limitations of Stock Exchange

7.05 Stock Exchanges in India

7.06 Types of Speculators

7.07 Stock Exchange Vs Commodity Exchange

7.08 Recent Development in Stock Exchange

Important Points

Stock exchanges contribute in a huge measure to the growth and expansion of national business and to the ultimate benefit and well being of the national economy and its people.

Amsterdam Stock Exchange is considered as the oldest stock exchange in the world.

Stock Exchange (also called Stock Market or Share Market) is one of the important constituents of Capital market

Stock exchange is an organized market for buying and selling corporate and other securities.

London stock exchange (LSE) is the most popular stock exchange in the world. While **Bombay stock exchange** (BSE) is the oldest stock exchange in India.

According to Husband and Dockerary,

"Stock exchanges are privately organized markets which are used to facilitate trading in securities."

The Indian Securities Contracts (Regulation) Act of 1956, defines Stock Exchange as, "An association, organization or body of individuals, whether incorporated or not, established for the purpose of assisting, regulating and controlling business in buying, selling and dealing in securities."

Top 10 Stock Exchanges in the World.

As on January 31st, 2017, the ten biggest stock exchanges in the world by market capitalisation of listed securities are:

- i. The New York Stock Exchange** – Located in New York City; \$19.223 trillion in listed market capitalization.
- ii. NASDAQ** - Short for the "National Association of Securities Dealers Automated Quotation", this electronic stock exchange is located in New York City; \$6.831 trillion in listed market capitalization.
- iii. London Stock Exchange** - Located in London, England; \$6.187 trillion in listed market capitalization.
- iv. Tokyo Stock Exchange** - Formally known as the Japan Exchange Group, located in Tokyo, Japan; \$4.485 trillion in listed market capitalization.
- v. Shanghai Stock Exchange** - Located in Shanghai, China; \$3.986 trillion in listed market capitalization.

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London, England; \$6.187 trillion in listed market capitalization.

iv. Tokyo Stock Exchange - Formally known as the Japan Exchange Group, located in Tokyo, Japan; \$4.485 trillion in listed market capitalization.

v. Shanghai Stock Exchange - Located in Shanghai, China; \$3.986 trillion in listed market capitalization.

REMISERS

He acts as an agent of a member of a stock exchange. He obtains business for his principal i.e., the member and gets a commission for that service.

BROKERS

Brokers are commission agents, who act as intermediaries between buyers and sellers of securities.

JOBBERS

Jobbers are security merchants dealing in shares, debentures as independent operators. They buy and sell securities on their own behalf and try to earn through price changes. Jobbers cannot deal on behalf of public and are barred from taking commission. In India, they are called Taravaniwalas.

SPECULATION

Speculation involves trading a financial instrument involving high risk, in expectation of significant returns. The motive is to take maximum advantage from fluctuations in the market. Speculators are prevalent in the markets where price movements of securities are highly frequent and volatile.

GAMBLING

There is no reasoning involved in gambling. It accentuates fluctuations in price and it is unethical and illegal. It does not perform economic function.

A Bull or Tejiwala is an operator who expects a rise in prices of securities in the future.

In anticipation of price rise he makes purchases of shares at present and other securities with the intention to sell at higher prices in future.

A bear or Mandiwala speculator expects prices to fall in future and sells securities at present with a view to purchase them at lower prices in future.

A stag is a cautious speculator in the stock exchange. He applies for shares in new companies and expects to sell them at a premium, if he gets an allotment.

Lame Duck

When a bear finds it difficult to fulfill his commitment, he is said to be struggling like a lame duck.

The key difference between commodity exchange and stock exchange is that a commodity exchange is an exchange where commodities are traded whereas stock exchange is an exchange where stock brokers and investors buy and / or sell stocks, bonds, and other securities.

Stock Exchange Vs Commodity Exchange.

I. Choose the Correct Answers:

1. ___ is the oldest stock exchange in the world.

- a) London Stock Exchange
- b) Bombay Stock Exchange
- c) National Stock Exchange
- d) Amsterdam Stock Exchange

2. There are _____ stock exchange in the country.

- a) 21 b) 24
- c) 20 d) 25

3. Jobbers transact in a stock exchange

- a) For their Clients
- b) For their Own Transactions
- c) For other Brokers
- d) For other Members

4. A pessimistic speculator is

- a) Stag b) Bear
c) Bull d) Lame Duck

5. An optimistic speculator is

- a) Bull b) Bear
c) Stag d) Lame duck

Answers:

1 d 2 b 3 b 4 b 5 a

II. Very Short Answer Questions:

1. What is meant Stock Exchange?

Stock Exchange (also called Stock Market or Share Market) is one of the important constituents of Capital market. Stock Exchange is an organized market for the purchase and sale of industrial and financial security.

2. Write any 5 Stock Exchanges in India.

- The Bombay Stock Exchange
ii. The Ahmedabad Stock Exchange Association Ltd.
iii. Bangalore Stock Exchange Ltd.
iv. Bhubaneshwar Stock Exchange
v. The Calcutta Stock Exchange Association Ltd.

3. What is meant by Remisier?

REMISERS

He acts as an agent of a member of a stock exchange. He obtains business for his principal i.e., the member and gets a commission for that service.

4. Who is called a Broker?

BROKERS

Brokers are commission agents, who act as intermediaries between buyers and sellers of securities. They do not purchase or sell securities on their behalf. They bring together the buyers and sellers and help them in making a deal. Brokers charge a commission from both the parties for their service. Brokers are experts in estimating trends of price and can effectively advise their clients in getting a fruitful gain.

Brokers get orders from investing public and execute the orders through Jobbers and they are entitled to a prescribed sale of brokerage.

5. What are the types of Speculator?

Bull, Bear, Stag, Lame Duck

III. Short Answer Questions:

1. What are the limitations of Stock exchange?

(any 3)

Limitations of Stock Exchange:

- i. Lack of uniformity and control of stock exchanges.
- ii. Absence of restriction on the membership of stock exchanges.
- iii. Failure to control unhealthy speculation.
- iv. Allowing more than one charge in the place.
- v. Non-insistence of margin requirement in stock exchange or in the case of produce exchanges.

1. Explain Bull and Bear.

Bull

A Bull or Tejiwala is an operator who expects a rise in prices of securities in the future. In anticipation of price rise he makes purchases of shares at present and other securities with the intention to sell at higher prices in future. He is called bull because just like a bull tends to throw his victim up in the air, the bull speculator stimulates the price to rise. He is an optimistic speculator.

Bear

A bear or Mandiwala speculator expects prices to fall in future and sells securities at present with a view to purchase them at

lower prices in future. A bear does not have securities at present but sells them at higher prices in anticipation that he will supply them by purchasing at lower prices in future. A bear usually presses its victim down to ground. Similarly the bear speculator tends to force down the prices of securities. A bear is a pessimistic speculator.

2. Explain Stag and Lame Duck.

Stag

A stag is a cautious speculator in the stock exchange. He applies for shares in new companies and expects to sell them at a premium, if he gets an allotment. He selects those companies whose shares are in more demand and are likely to carry a premium. He sells the shares before being called to pay the allotment money. He is also called a premium hunter.

Lame Duck

When a bear finds it difficult to fulfill his commitment, he is said to be struggling like a lame duck. A bear speculator contracts to sell securities at a later date. On the appointed time he is not able to get the securities as the holders are not willing to part with them. In such situations, he feels concerned. Moreover, the buyer is not willing to carry over the transactions.

IV. Long Answer Questions:

1. Explain the functions of Stock Exchange.

(Any 5)

1. Ready and Continuous Market

Stock Exchange is, in fact, a market for existing securities. If an investor wants to sell his securities, he can easily and quickly dispose them off on a stock exchange. In other words, he can convert his shares into cash and with the same ease he can convert his cash into securities.

2. Correct Evaluation of Securities

The prices at which securities are bought and sold are recorded and made public. These prices are called "market

quotations". One can easily evaluate the worth of one's securities on the basis of these quotations. The lender can easily assess the worth of security offered for loan.

3. Protection to Investors

All dealings in a stock exchange are in accordance with well-defined rules and regulations. For example, brokers cannot charge higher rate of commission for their services. Any malpractice will be severely punished. Thus stock exchange provides reasonable measure of safety and fair dealing in buying and selling of securities.

4. Proper Chanalisation of Capital

People like to invest in the shares of such companies which yield good profits. The savings of individuals are directed towards promising companies which declare good dividends over a period of time. But for the stock exchanges, these savings are likely to be wasted on the shares of unprofitable units.

5. Aid to Capital Formation

The publicity which the stock exchange gives to various industrial securities and their prices and the facilities provided by it for their purchase and sale induce people to save and invest. Stock exchanges thus ensure a steady flow of capital into industry and assists industrial development.

6. Facilities for Speculation

Speculation is an integral part of stock exchange operations. As a result of speculation, demand for and supply of securities are equalized. Similarly, price movements are rendered smoothly.

7. Seasoning of Securities

Speculators and underwriters hold for a temporary period, securities issued by new companies. They unlock them when the market is prepared to absorb the new issues.

2. Explain the features of Stock Exchange.

(Any 5)

1. Market for Securities

Stock exchange is a market, where securities of corporate bodies, government and semi-government bodies are bought and sold.

2. Deals in Second Hand Securities

It deals with shares, debentures bonds and such securities already issued by the companies. In short, it deals with existing or second hand securities and hence it is called secondary market.

3. Regulates Trade in Securities

Stock exchange does not buy or sell any securities on its own account. It merely provides the necessary infrastructure and facilities for trade in securities to its members and brokers who trade in securities. It regulates the trade activities so as to ensure free and fair trade.

4. Allows Dealings only in Listed Securities

In fact, stock exchanges maintain an official list of securities that could be purchased and sold on its floor. Securities which do not figure in the official list of stock exchange are called unlisted securities. Such unlisted securities cannot be traded in the stock exchange.

5. Transactions Effected only through Members

All the transactions in securities at the stock exchange are effected only through its authorised brokers and members. Outsiders or direct investors are not allowed to enter in the trading circles of the stock exchange. Investors have to buy or sell the securities at the stock exchange through the authorised brokers only.

6. Association of Persons

A stock exchange is an association of persons or body of individuals which may be registered or unregistered.

7. Recognition from Central Government

Stock exchange is an organised market. It requires recognition from the Central Government.

3. Distinguish between Stock Exchange and Commodity Exchange (any 5).

Sl.No	Feature	Stock Exchange	Commodity Exchange
1.	Meaning	Stock Exchange (also called Stock Market or Share Market) is one important constituent of capital market. Stock Exchange is an organized market for the purchase and sale of industrial and financial security. It is convenient place where trading in securities is conducted in a systematic manner i.e. as per certain rules and regulations.	A commodity exchange is an exchange where commodities are traded. Tradable commodities fall into the following categories. Metals (e.g. gold, silver, copper) Energy (e.g. crude oil, natural gas) Agricultural (e.g. rice, wheat, cocoa) Livestock and meat (e.g. live cattle, lean hog)
2.	Function	Providing easy marketability	Offering hedging or price insurance services and liquidity to securities.
3.	Object	Object is facilitating capital formation and making best use of capital resources	Object is facilitating goods flow through risk reduction
4.	Participants	Investors and Speculators	Producers, dealers, traders and a body of speculators.
5.	Period of dealings	Cash, ready delivery and dealings for account for a fortnight	Instant cash dealings and a settlement period of 2 or 3 months for Future Market dealings
6.	Articles Traded	Industrial securities such as stocks and bonds and government securities.	Only durable, graded and goods having large volume of trade, price uncertainty and uncontrolled supply

ADDITIONAL QUESTIONS

1. Define Stock exchange.

According to Husband and Dockerary, "Stock exchanges are privately organized markets which are used to facilitate trading in securities."

The Indian Securities Contracts

(Regulation) Act of 1956, defines Stock Exchange as, "An association, organization or body of individuals, whether incorporated or not, established for the purpose of assisting, regulating and

controlling business in buying, selling and dealing in securities."

3. What are the Benefits and Limitations of Stock Exchange?

A. Benefits to the Community

i. Economic Development

It accelerates the economic development by ensuring steady flow of savings into productive purposes.

ii. Fund Raising Platform

It enables the well-managed, profitmaking companies to raise limitless funds by fresh issue of shares from time to time.

iii. Tools to Divert Resources

Scarce resources are thus diverted to efficiently run enterprises for better utilization.

iv. Capital Formation

It encourages capital formation.

v. Fund Raiser for Government

It enables Government to raise funds for undertaking projects through sale of securities on the stock exchange. Thus stock exchange serves as a platform for raising public debt.

B. Benefits to the Company

i. Enhances Goodwill or Reputation

Companies whose shares are quoted on a stock exchange enjoy greater goodwill and credit standing.

ii. Wide Market

There is a wide and ready market for such securities.

iii. Raises huge funds

Stock Exchange can raise huge funds easily by issue of shares and debentures.

iv. Increases bargaining strength

Companies whose shares rise in the stock exchange command higher bargaining power in the event of further expansion, merger or amalgamation.

C. Benefits to Investors

i. Liquidity

Stock exchange helps an investors to convert his shares into cash quickly and thus increases the liquidity of his investments.

ii. Adding collateral value of security

The fact that a security is dealt on a stock exchange makes it a good collateral security for obtaining loan from banks.

iii. Investor protection

The stock exchange safeguards, investor's interest and ensures fair dealing by strictly enforcing its rules and regulations.

iv. Assessing real worth of security

An investor can easily assess the real worth of securities in his hands, as market quotations are published daily in the newspapers and in websites.

v. Mechanism to trade security

Stock Exchange provides a mechanism by which purchase and sale of listed securities take place in a matter of few minutes.

Limitations of Stock Exchange:

The limitations of stock exchange are as follows

- i. Lack of uniformity and control of stock exchanges.
- ii. Absence of restriction on the membership of stock exchanges.
- iii. Failure to control unhealthy speculation.
- iv. Allowing more than one charge in the place.
- v. Non-insistence of margin requirement in stock exchange or in the case of produce exchanges.
- vi. No proper regulation of listing of securities on the stock exchange.

2. Explain Recent Development in Stock Exchange

The structure of stock market in India has undergone a vast change due to the liberalization process initiated by the Government. A number of new structures

have been added to the existing structure of the Indian stock exchange.

A brief description of these structures in the Indian stock market system is presented below:

National Stock Market System (NSMS)

National stock market system was advocated by the - High Powered Group on the Establishment of New Stock Exchange s headed by Shri.M.J.Pherwani (popularly known as Pherwani Committee). At present the National Stock Market in India comprises the following:

1. National Stock Exchange of India Limited (NSE)
2. Stock Holding Corporation of India Limited (SHCIL)
3. National Clearing and Depository System (NCDS)
4. Securities Trading Corporation of India (STCI)
5. National Securities Depository Limited (NSDL)

1. National Stock Exchange (NSE)

NSE was incorporated in November, 1992. It is a country wide, screen based, online and order driven trading system. It uses satellite link to spread trading throughout the country thereby connecting members scattered all over the India. Through computer network, member's orders for buying and selling within prescribed price are matched by central computer with each other and instantly communicate to the trading member. NSE has two segments, i.e.,

Debt segment and Capital segment. It has ushered in transparent, screen based and user friendly trading of global standards. It has revolutionised stock trading in India.

2. Stock Holding Corporation of India Limited (SHCIL)

The Stock Holding Corporation of India Ltd (SHCIL) is committed to speed up trading, clearance and settlement services for securities and monetary instruments. SHCIL came into being in 1986. SHCIL is the first depository participant registered with SEBI and acts as an agent of the National Securities Depository. It started its actual operations in 1988. It has its head office in Bombay, and its branch network covers Kolkatta, Delhi and Chennai.

3. National Clearance and Depository System (NCDS)

This system was created chiefly to help overcome the problem of settlement and clearance of transactions consequent to enormous workload on the clearing agencies and share transfer agencies. The problems mainly arose out of systematic risk like counter party risk, credit risk, bad deliveries, long delayed delivery, counterfeit scrips, and forged scrips.

4. Securities Trading Corporation of India (STCI)

The Reserve Bank of India set up Securities Trading Corporation of India Limited (STCI) in May 1994, under the provisions of the Indian Companies Act, 1956, jointly with public sector banks and All-India financial institutions. The main objective of establishing the Corporation was to foster the development of an active secondary market for Government securities and bonds issued by public sector undertakings. It had an authorized and paid-up capital of Rs. 500 crores of which, RBI contributed 50.18 percent. The RBI in December 1997 divested part of its equity in STCI in favor of the Bank of India, an existing shareholder of the Company.

5. National Securities Depository Limited (NSDL)

The Government of India enacted the Depositories Act in August 1996, paving the way for setting up of depositories in India. Thus, pioneering the concept of depositories and ushering in an era of paperless settlement of securities. National Securities Depository Ltd (NSDL) was inaugurated as the first depository in India on November 8, 1996. Trading in dematerialized securities on the National Stock Exchange (NSE) commenced in December 26, 1996. The Bombay Stock Exchange, (BSE) also extended the facility of trading in dematerialized securities from December 29, 1997.

3. What is NIFTY?

The word Nifty originates from 2 words, 'National' and 'Fifty'. Nifty basically means the index of the 50 most actively traded stocks from across all sectors. Nifty represents the top stocks of the NSE and when we talk about Nifty going up, it means that all the heavyweight stocks of NSE across all sectors are moving up.

4. What is meant by SENSEX?

Sensex is an index of the stocks in BSE (Bombay Stock Exchange). Sensex has a list of 30 stocks. BSE decides the stocks that are to be listed on Sensex. The criteria for picking a stock to be listed on Sensex is volume of the trade of that stock and total volume of the stock in BSE.

5. Write a short notes on Dalal Street?

Dalal Street is an area in downtown Mumbai, India, that houses the Bombay Stock Exchange (BSE – the largest stock exchange in India – and other reputable financial institutions. It received the name Dalal Street after the Bombay Stock Exchange moved to the area in 1874 and became the first stock exchange recognized by the Indian Government.

6. Write a short notes on Lombard Street?

Lombard Street, London, is a street notable for its connections with the City of London's merchant, banking and insurance industries, stretching back to medieval times. From Bank junction, where nine streets converge by the Bank of England, Lombard Street runs southeast for a short distance before bearing left into a more easterly direction, and terminates at a junction with Grace church Street and Fenchurch Street. Its overall length is 260 metres. It has often been compared with Wall Street in New York City.

7. Write short notes on Wall Street.

Wall Street is a street in lower Manhattan that is the original home of the New York Stock Exchange and the historic headquarters of the largest U.S. brokerages and investment banks. The term Wall Street is also used as a collective name for the financial and investment community, which includes stock exchanges and large banks, brokerages, securities and underwriting firms, and big businesses. Today, brokerages are geographically diverse, allowing investors free access to the same information available to Wall Street's tycoons.

UNIT TEST QUESTIONS

I. Choose the Correct Answers:

1. ___ is the oldest stock exchange in the world.

- a) London Stock Exchange
- b) Bombay Stock Exchange
- c) National Stock Exchange
- d) Amsterdam Stock Exchange

2. There are _____ stock exchange in the country.

- a) 21 b) 24
- c) 20 d) 25

3. Jobbers transact in a stock exchange

- a) For their Clients
- b) For their Own Transactions

- c) For other Brokers
 d) For other Members
4. A pessimistic speculator is
 a) Stag b) Bear
 c) Bull d) Lame Duck
5. An optimistic speculator is
 a) Bull b) Bear
 c) Stag d) Lame duck

II. Very Short Answer Questions:

1. What is meant Stock Exchange?
2. Write any 5 Stock Exchanges in India.
3. What is meant by Remisier?
4. Who is called a Broker?
5. What are the types of Speculator?

III. Short Answer Questions:

1. What are the limitations of Stock exchange?
(any 3)
2. Explain Bull and Bear.
3. Explain Stag and Lame Duck.

IV. Long Answer Questions:

1. Explain the functions of Stock Exchange.
(Any 5)
2. Explain the features of Stock Exchange.
(Any 5)
3. Distinguish between Stock Exchange and Commodity Exchange (any 5)

UNIT III FINANCIAL MARKETS – II CHAPTER 8 SECURITIES EXCHANGE BOARD OF INDIA (SEBI)

CHAPTER SYNOPSIS

- 8.01 Introduction of SEBI
- 8.02 Objectives of SEBI
- 8.03 Functions of SEBI
- 8.04 Powers of SEBI
- 8.05 Dematerialization
- 8.06 Benefits of Dematerialization

Important Points

Securities and exchange Board of India (SEBI) was first established in the year 1988 as a non-statutory body for regulating the securities market.

I. Choose the Correct Answers:

1. Securities Exchange Board of India was first established in the year ____
 a) 1988 b) 1992
 c) 1995 d) 1998
2. The headquarters of SEBI is _____
 a) Calcutta b) Bombay
 c) Chennai d) Delhi
3. Registering and controlling the functioning of collective investment schemes as _____
 a) Mutual Funds b) Listing
 c) Rematerialisation d) Dematerialization
4. SEBI is empowered by the Finance ministry to nominate _____ members on the Governing body of every stock exchange.
 a) 5 b) 3
 c) 6 d) 7
5. Trading in dematerialized shares commenced on the NSE is _____

- a) January 1996 b) June 1998
c) December 1996 d) December 1998

Answers:

1 a 2 b 3 a 4 d 5 c

II. Very Short Answer Questions:

1. Write a short notes on SEBI.

Securities and exchange Board of India (SEBI) was first established in the year 1988 as a non-statutory body for regulating the securities market. It

2. Write any two objectives of SEBI.

1. Regulation of Stock Exchanges

The first objective of SEBI is to regulate stock exchanges so that efficient services may be provided to all the parties operating there.

2. Protection to the Investors

The capital market is meaningless in the absence of the investors. Therefore, it is important to protect the interests of the investors.

3. Mention the headquarters of SEBI.

SEBI has its headquarters at the business district of BandraKurla Complex in Mumbai,

4. What are the various ID proofs?

Proof of identity

Proof of address

III. Short Answer Questions:

1. What is meant by Dematerialization?

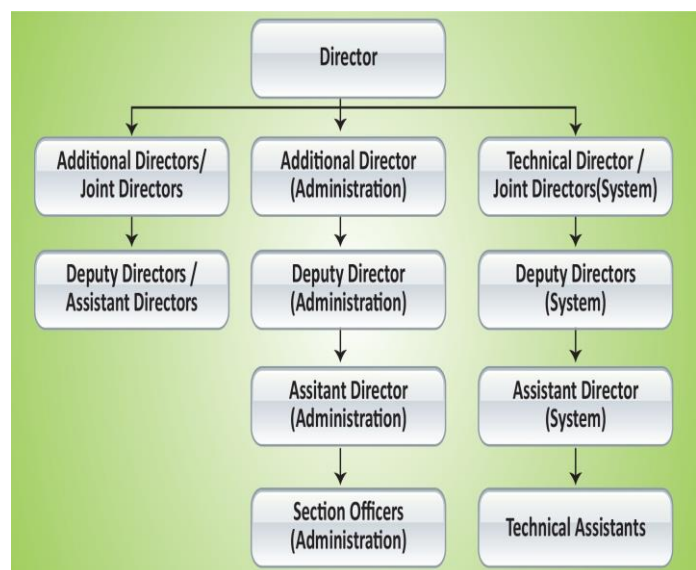
Dematerialization is the process by which physical share certificates of an investor are taken back by the company/registrars and destroyed. Then an equivalent number of securities in the electronic form are credited to the investors account with his Depository Participant

2. What are the documents required for a Demat account?

Proof of identity: PAN card, voter's ID, passport, driver's license, bank attestation, IT returns, electricity bill, telephone bill, ID cards with applicant's photo issued by the central or state government and its departments, statutory or regulatory authorities, public sector undertakings (PSUs), scheduled commercial banks, public financial institutions, colleges affiliated to universities, or professional bodies such as ICAI, ICWAI, ICSI, bar council etc.

Proof of address: Ration card, passport, voter ID card, driving license, bank passbook or bank statement, verified copies of electricity bills, residence telephone bills, leave and license agreement or agreement for sale, self-declaration by High Court or Supreme Court judges, identity card or a document with address issued by the central or state government and its departments, statutory or regulatory authorities, public sector undertakings (PSUs), scheduled commercial banks, public financial institutions, colleges affiliated to universities and professional bodies such as ICAI, ICWAI, Bar Council etc.

2. Draw the organization structure of SEBI.



IV. Long Answer Questions:

1. What are the functions of SEBI? (any 5)

Safeguarding the interests of investors by means of adequate education and guidance. SEBI makes rules and regulation that must be followed by the financial intermediaries like portfolio exchanges, underwriters and merchant bankers, etc. It takes care of the complaints received from investors. Additionally, it issues notices and booklets for the information, assistance and protection of small investors.

ii. Regulating and controlling the business on stock markets. Registration of brokers and subbrokers is made mandatory and they have to abide by certain regulations and rules.

iii. Conduct inspection and inquiries of stock exchanges, intermediaries and self-regulating organizations and to take appropriate measures wherever required. This function is carried out for organized working of stock exchanges and intermediaries.

iv. Barring insider trading in securities.

v. Prohibiting deceptive and unfair methods used by financial intermediaries operating in securities markets.

vi. Registering and controlling the functioning of stock brokers, sub-brokers, share transfer agents, bankers, trustees, registrars, merchant bankers, underwriters, portfolio managers, investment advisers and various other intermediaries who might be linked to securities markets in any manner.

vii. SEBI issues Guidelines and Instructions to businesses concerning capital issues. Separate guidelines are provided for initial public issue made by listed companies, etc. It conducts research and publishes information beneficial to all market players (i.e. all buyers and sellers).

viii. SEBI regulates mergers and acquisitions as a way to protect the interest

of investors. For this, SEBI has released appropriate guidelines with the intention that such mergers and takeovers won't be at the expense of small investors.

2. Explain the powers of SEBI. (any 5)

1. Powers Relating to Stock Exchanges & Intermediaries

SEBI has wide powers regarding the stock exchanges and intermediaries dealing in securities. It can ask information from the stock exchanges and intermediaries regarding their business transactions for inspection or scrutiny and other purpose.

2. Power to Impose Monetary Penalties

SEBI has been empowered to impose monetary penalties on capital market intermediaries and other participants for a range of violations. It can even impose suspension of their registration for a short period.

3. Power to Initiate Actions in Functions Assigned

SEBI has a power to initiate actions in regard to functions assigned. For example, it can issue guidelines to different intermediaries or can introduce specific rules for the protection of interests of investors.

4. Power to Regulate Insider Trading

SEBI has power to regulate insider trading or can regulate the functions of merchant bankers.

5. Powers Under Securities Contracts Act

For effective regulation of stock exchange, the Ministry of Finance issued a Notification on 13 September, 1994 delegating several of its powers under the Securities Contracts (Regulations) Act to SEBI. SEBI is also empowered by the Finance Ministry to nominate three members on the Governing Body of every stock exchange.

6. Power to Regulate Business of Stock Exchanges

SEBI is also empowered to regulate the

business of stock exchanges, intermediaries associated with the securities market as well as mutual funds, fraudulent and unfair trade practices relating to securities and regulation of acquisition of shares and takeovers of companies.

ADDITIONAL QUESTIONS

What is Demat Account?

A demat account holds all the shares that are purchased in electronic or dematerialized form. Basically, a demat account is to shares what a bank account is to money. Like the bank account, a demat account holds the certificates of financial instruments like shares, bonds, government securities, mutual funds and exchange traded funds (ETFs).

How to Open a Demat Account?

- i. Fill up an account opening form and submit along with copies of the required documents and a passport-sized photograph. You also need to have a PAN card. Also carry the original documents for verification.
- ii. You will be provided with a copy of the rules and regulations, the terms of the agreement and the charges that you will incur.
- iii. During the process, an In-Person Verification would be carried out. A member of the DP's staff would contact you to check the details provided in the account opening form.
- iv. Once the application is processed, the DP will provide you with an account number or client ID. You can use the details to access your demat account online.
- v. As a demat account holder, you would need to pay some fees like the annual maintenance fee levied for maintenance of account and the transaction fee levied for debiting securities to and from the account on a monthly basis.

3. What are the Objectives of SEBI?

The various objectives of a Stock Exchange are explained below

1. Regulation of Stock Exchanges

The first objective of SEBI is to regulate stock exchanges so that efficient services may be provided to all the parties operating there.

2. Protection to the Investors

The capital market is meaningless in the absence of the investors. Therefore, it is important to protect the interests of the investors. The protection of the interests of the investors means protecting them from the wrong information given by the companies in their prospectus, reducing the risk of delivery and payment, etc.

Hence, the foremost objective of the SEBI is to provide security to the investors.

3. Checking the Insider Trading

Insider trading means the buying and selling of securities by directors, Promoters, etc. Who have access to some confidential information about the company and who wish to take advantage of this confidential information. This affects the interests of the general investors and is essential to check this tendency. Many steps have been taken to check insider trading through the medium of the SEBI.

4. Control over Brokers

It is important to supervise/check the activities of the brokers and other middlemen in order to control the capital market. To regulate their activities, it was necessary to establish the SEBI.

4. What are the Benefits of Dematerialization?

- i. The risks pertaining to physical certificates like loss, theft, forgery and damage are eliminated completely with a DEMAT account.
- ii. The lack of paperwork enables quicker

transactions and higher efficiency in trading.

iii. Trading has become more convenient as one can trade through computers at any location,

without the need of visiting a broker.

iv. The shares that are created through mergers and consolidation of companies are credited automatically in the DEMAT account.

v. As all the transactions occur through the depository participant, a trader does not have to communicate individually with each and every company.

vi. There is no need for stamp duty for transfer of securities; this brings down the cost of transaction significantly.

vii. Certain banks also permit holding of both equity and debt securities in a single account.

II. Very Short Answer Questions:

1. Write a short notes on SEBI.
2. Write any two objectives of SEBI.
3. Mention the headquarters of SEBI.
4. What are the various ID proofs?

III. Short Answer Questions:

1. What is meant by Dematerialization?
2. What are the documents required for a Demat account?
3. Draw the organization structure of SEBI.

IV. Long Answer Questions:

1. What are the functions of SEBI? (any 5)
2. Explain the powers of SEBI. (any 5)

UNIT TEST QUESTIONS

I. Choose the Correct Answers:

1. Securities Exchange Board of India was

first established in the year _____

- a) 1988 b) 1992
c) 1995 d) 1998

2. The headquarters of SEBI is _____

- a) Calcutta b) Bombay
c) Chennai d) Delhi

3. Registering and controlling the functioning of collective investment schemes as _____

- a) Mutual Funds b) Listing
c) Rematerialisation d) Dematerialization

4. SEBI is empowered by the Finance ministry to nominate _____ members on the Governing body of every stock exchange.

- a) 5 b) 3
c) 6 d) 7

5. Trading in dematerialized shares commenced on the NSE is _____

- a) January 1996 b) June 1998
c) December 1996 d) December 1998

UNIT IV HUMAN RESOURCE MANAGEMENT

CHAPTER 9 FUNDAMENTALS OF HUMAN RESOURCE MANAGEMENT

CHAPTER SYNOPSIS

9.01 Meaning and Definition of Human Resource

9.02 Characteristics of Human Resource

9.03 Significance of Human Resource

9.04 Meaning and Definition of Human Resource Management

9.05 Features of Human Resource Management

9.06 Significance of Human Resource Management

9.07 Functions of Human Resource Management

Important Points

According to Peter.F.Drucker “Man, of all resources available to him, can grow and develop”

The branch of management that deals with managing human resource is known as Human Resource Management.

Functions of Human Resource Management

1. Managerial function - Planning, Organising,

Directing, Controlling

2. Operative function – Procurement, Development, Compensation, Retention, Integration, Maintenance

I. Choose the Correct Answers:

1. Human resource is a _____ asset.

- a) Tangible b) Intangible
c) Fixed d) Current

2. Human Resource management is both _____ and _____ .

- a) Science and art
b) Theory and practice
c) History and Geography
d) None of the above

3. Planning is a _____ function.

- a) selective b) pervasive
c) both a and b d) none of the above

4. Human resource management determines

the _____ relationship.

- a) internal, external
b) employer, employee
c) Owner, Servant
d) Principle, Agent

5. Labour turnover is the rate at which employees _____ the organisation

- a) enter b) leave
c) Salary d) None of the above

Answers:

1 b 2 a 3 b 4 b 5 b

II. Very Short Answer Questions:

1. What is Human Resource Management ?

The branch of management that deals with managing human resource is known as Human Resource Management. In order to achieve the personal and organisational objectives human resources are to be trained up and managed.

2. State two features of HRM.

Universally relevant : Human Resource Management has universal relevance. The approach and style varies depending the nature of organisation structure and is applicable at all levels.

ii. Goal oriented : The accomplishment of organisational goals is made possible through best utilisation of human resource in an organisation.

3. Mention two characteristics of Human Resource.

Human resource is the only factor of production that lives

ii. Human resource created all other resources

4. What are the managerial functions of HRM.

1. **Managerial function** - Planning, Organising, Directing, Controlling

III. Short Answer Questions:

1. Define the term Human Resource Management.

The branch of management that deals with managing human resource is known as Human Resource Management. In order to achieve the personal and organisational objectives human resources are to be trained up and managed. In short, it is managing people of different strata for the accomplishment of the organisational goals. It includes the overall progress of the employee and the enterprise.

2. What are the characteristics of Human resources ? (any 3)

Human resource is the only factor of production that lives

ii. Human resource created all other resources

iii. It is only the labour of employees that is hired and not the employee himself

iv. Human resource exhibits innovation and creativity

v. Human resource alone can think, act, analyse and interpret

3. What is the significance of Human resource? (any 3)

It is only through human resource all other resources are effectively used

ii. The sustainable growth of an organisation depends on the important resource human resource

iii. Industrial relations depend on human resource

iv. Human relations is possible only through human resource

v. Human resource manages all other factors of production

IV. Long Answer Questions:

1. Explain the characteristics of Human Resource (any 5).

Human resource is the only factor of production that lives

ii. Human resource created all other resources

iii. It is only the labour of employees that is hired and not the employee himself

iv. Human resource exhibits innovation and creativity

v. Human resource alone can think, act, analyse and interpret

vi. Human resources are emotional beings

vii. Human resources can be motivated either financially or non financially

2. Describe the significance of Human Resource Management (any 5).

To identify manpower needs :

Determination of manpower needs in an organisation is very important as it is a form of investment. The number of men required are to be identified accurately to optimise the cost.

ii. To incorporate change : Change is constant in any organisation and this change has to be introduced in such a way that the human resource management acts as an agent to make the change effective.

To ensure the correct requirement of

manpower: At any time the organisation should not suffer from shortage or surplus manpower which is made possible through human resource management.

iv. To select right man for right job: Human

resource management ensures the right talent available for the right job, so that no employee is either under qualified or over qualified.

v. To update the skill and knowledge:

Managing human resource plays a significant role in the process of employee skill and knowledge enhancement to enable

the employees to remain up to date through

training and development programmes.

vi. To appraise the performance of employees:

Periodical appraisal of performance of employees through human resource management activities boosts up good performers and motivates slow performers. It helps the workforce to identify their level of performance.

vii. To improve competitive advantage:

Organisations with capable and competent employees can truly gain competitive advantage in the globalised market. Higher the level of good performers greater the possibility of fast paced growth of the enterprise.

3. Discuss the Operative functions HRM.

Operating Functions

i. Procurement – Acquisition deals with job analysis, human resource planning, recruitment, selection, placement, transfer and promotion

ii. Development – Development includes performance appraisal, training, executive development, career planning and development, organisational development

iii. Compensation – It deals with job evaluation, wage and salary administration, incentives, bonus, fringe benefits and social security schemes

iv. Retention – This is made possible through health and safety, welfare, social security, job satisfaction and quality of

work life

v. Integration – It is concerned with the those activities that aim to bring about reconciliation between personal interest and organisational interest

vi. Maintenance – This encourages employees to work with job satisfaction, reducing labour turnover, accounting for human resource and carrying out audit and research.

ADDITIONAL QUESTIONS

1. Define Huma Resource.

According to Peter.F.Drucker “Man, of all resources available to him, can grow and develop”

2. What are the Significance of Human Resources?

The vital resource namely human resource is significant because of the following reasons :

- i. It is only through human resource all other resources are effectively used
- ii. The sustainable growth of an organisation depends on the important resource human resource
- iii. Industrial relations depend on human resource
- iv. Human relations is possible only through human resource
- v. Human resource manages all other factors of production
- vi. The skill sets of the Human resources can be improved through training and development programmes
- vii. Human resource can be utilised at all levels of management
- viii. Human resources are well protected by legislative frameworks.

3. What are the Features of Human Resource Management?

The following are the characteristics of human resource management :

i. Universally relevant : Human Resource Management has universal relevance. The approach and style varies depending the nature of organisation structure and is applicable at all levels.

ii. Goal oriented : The accomplishment of organisational goals is made possible through best utilisation of human resource in an organisation.

iii. A systematic approach : Human resource management lays emphasis on a systematic approach in managing the tasks performed by human resource of an organisation. The two sets of functions performed are managerial and operative functions.

iv. It is all pervasive : Wherever there is existence of human resource the effective management of the available human resource is very important especially in functional areas.

v. It is a continuous process : As long as there is human resource in the running of an organisation, the activities relating to managing human resource exists.

vi. It is a dynamic activity : Human resource management is not the same as that of other factors of production, as they have feelings and emotions which are to be handled with care and diligence to maximise its utilisation.

vii. It is an integrative tool : The main idea behind managing the human resource is to motivate, participate and coordinate the available work force.

viii. Focuses on development : Human resource management focuses on the development of manpower through training and development programmes. Honing of skills through training increases the effective use of the resource procured.

ix. Human resource management is both science as well as art : As it relies on experiments and observations as well as effective handling of manpower it is both science and art.

x. It is interdisciplinary : Human resource management makes use of concepts of different disciplines like

sociology, psychology, economics etc. making it interdisciplinary.

xi. It is intangible : Human resource management is an intangible function which can be measured only by results.

4. What are the Functions of Human Resource Management?

Managerial Functions

i. Planning – Planning is deciding in advance what to do, how to do and who is to do it. It bridges the gap between where we are and where we want to go. It helps in the systematic operation of business. It involves determination objectives, policies, procedures, rules, strategies, programmes and budgets. It ensures maintenance of correct number of employees to carry out activities and also to formulate timely employee policies.

ii. Organising – It includes division of work among employees by assigning each employee their duties, delegation of authority as required and creation of accountability to make employees responsible.

iii. Directing – It involves issue of orders and instructions along with supervision, guidance and motivation to get the best out of employees. This reduces waste of time energy and money and early attainment of organisational objectives.

iv. Controlling – It is comparing the actual with the standards and to check whether activities are going on as per plan and rectify deviations. The control process includes fixing of standards, measuring actual performance, comparing actual with standard laid down, measuring deviations and taking corrective actions. This is made possible through observation, supervision, reports, records and audit.

UNIT TEST QUESTIONS

I. Choose the Correct Answers:

- 1. Human resource is a _____ asset.**
a) Tangible b) Intangible

c) Fixed d) Current

2. Human Resource management is both _____ and _____ .

- a) Science and art
- b) Theory and practice
- c) History and Geography
- d) None of the above

3. Planning is a _____ function.

- a) selective b) pervasive
- c) both a and b d) none of the above

4. Human resource management determines

the _____ relationship.

- a) internal, external
- b) employer, employee
- c) Owner, Servant
- d) Principle, Agent

5. Labour turnover is the rate at which employees _____ the organisation

- a) enter b) leave
- c) Salary d) None of the above

Answers:

1 b 2 a 3 b 4 b 5 b

II. Very Short Answer Questions:

1. What is Human Resource Management ?
2. State two features of HRM.
3. Mention two characteristics of Human Resource.
4. What are the managerial functions of HRM.

III. Short Answer Questions:

1. Define the term Human Resource Management.
2. What are the characteristics of Human resources ? (any 3)
3. What is the significance of Human resource? (any 3)

IV. Long Answer Questions:

1. Explain the characteristics of Human Resource (any 5).
2. Describe the significance of Human Resource Management (any 5).
3. Discuss the Operative functions HRM.

UNIT IV HUMAN RESOURCE MANAGEMENT

10 RECRUITMENT METHODS

CHAPTER SYNOPSIS

10.01 Meaning and definition of Recruitment

10.02 Recruitment Process

10.03 Sources of Recruitment

10.04 Recent Trends in Recruitment

Important Points

Recruitment is the process of finding suitable candidates for the various posts in an organisation.

According to Edwin B. Flippo, "It is a process of searching for prospective employees and stimulating and encouraging them to apply for jobs in an organisation."

I. Choose the Correct Answers:

1. Recruitment is the process of identifying ____.

- a) right man for right job
- b) good performer
- c) Right job
- d) All of the above

2. Recruitment bridges gap between _____

and _____ .

- a) job seeker and job provider
- b) job seeker and agent
- c) job provider and owner
- d) owner and servant

3. Advertisement is a _____ source of recruitment

- a) internal b) external
- c) agent d) outsourcing

4. Transfer is an _____ source of recruitment.

- a) internal b) external
- c) outsourcing d) None of the above

5. E-recruitment is possible only through

_____ facility.

- a) Computer b) internet
c) Broadband d) 4G

Answers:

1 a 2 a 3 b 4 a 5 b

II. Very Short Answer Questions:

- 1. Give the meaning of Recruitment.**

Recruitment is the process of finding suitable candidates for the various posts in an organisation.

- 2. What is promotion ?**

Promotion – Based on seniority and merits of the employees they are given opportunity to move up in the organisational hierarchy

- 3. Write any two internal source of recruitment.**

Transfer
Upgrading

- 4. What is meant by Poaching?**

Poaching – Organisations instead of training and developing their own employees hire employees of other competitive companies by paying them more both financial and non financial benefits. It is also called raiding.

III. Short Answer Questions:

- 1. What is meant by unsolicited applicants?**

Unsolicited applicants – These are the applications of job seekers who voluntarily apply for the vacancies not yet notified by the organisations.

- 2. What is meant by job portals?**

Job Portals – Using internet job portals organisations can screen for the prospective candidates and fill up their vacancies

- 3. State the steps in Recruitment process outsourcing.**

Recruitment Process Outsourcing

Recruitment process includes the following steps :

- Planning recruitment
- Determining vacancies
- Identifying the sources
- Drafting information for advertisement
- Selecting the suitable mode of advertisement
- Facilitating selection process
- Evaluation and control

IV. Long Answer Questions:

- 1. Explain the Internal sources of Recruitment (any 5).**

i. Internal Sources

The following are the internal sources of Recruitment

i. Transfer - The simplest way by which an employee requirement can be filled is through transfer of employee from one department with surplus staff to that of another with deficit staff.

ii. Upgrading – Performance appraisal helps in the process of moving employees from a lower position to a higher position

iii. Promotion – Based on seniority and merits of the employees they are given opportunity to move up in the organisational hierarchy

iv. Demotion – Movement of employee from a higher position to a lower position because of poor performance continuously to make him realise the significance of performance

v. Recommendation by existing

Employees – A family member, relative

or friend of an existing employee can be recruited and placed

- vi. Job rotation** – One single employee managing to learn how to perform in more than one job on rotation. This familiarises the employees with all kind of jobs performed and becomes a source.
- vii. Retention** – The retiring employees can be used to meet the requirement after superannuation as per management discretion

2. Explain the External sources of Recruitment (any 5).

ii. External Sources

A. Direct

i. Advertisements – The employer can advertise in dailies, journals, magazines etc. about the vacancies in the organisation specifying the nature of work, nature of vacancy, qualification and experience required, salary offered, mode of applying and the time limit within which the candidate has to apply.

ii. Unsolicited applicants – These are the applications of job seekers who voluntarily apply for the vacancies not yet notified by the organisations.

iii. Walk-ins– Walk-in applicants with suitable qualification and requirement can be another source of requirement.

iv. Campus Recruitment – The organisations visit the educational institutions to identify and recruit suitable candidates.

v. Recruitment at Factory gate – Usually casual or temporary unskilled employees are recruited by this way. They are recruited at factory gate and paid on hourly or daily basis.

vi. Rival firms – This is also called poaching where the efficient employees of rival

companies are drawn to the organisations by higher pay and benefits. For example Salesmen, Chartered Accountants, Management professionals etc.

B. Indirect

i. Employee referral – The existing employees of the organisation may recommend some of their relatives or known people who will be suitable for the existing vacancies. Based on the credibility of the employee the referrals will be considered.

ii. Government/Public Employment Exchanges – These are exchanges established by Government which facilitates

recruitment throughout the country. It makes available the information required through the data base for the employer as well as the job seeker by bridging the gap between them.

iii. Private Employment Agencies – These are similar to Public employment exchanges except that the ownership is the hands of Private parties. It connects the job provider and the job seeker by providing the relevant and required information.

iv. Employment Consultancies – These types of firms facilitate recruitment on behalf of client companies at cost. Usually they provide data relating to executives and top level personnel for which service they charge consultation fees also known as Recruitment Process Outsourcing.

3. What is the Recent trends in Recruitment?

Recent Trends in Recruitment

The recent methods of recruiting by organisations include the following methods :

1. Outsourcing – There are outsourcing firms that help in the process of recruiting

through screening of applications and finding the right person for the job for which job they are paid service charges.

2. Poaching – Organisations instead of training and developing their own employees hire employees of other competitive companies by paying them more both financial and non financial benefits. It is also called raiding.

ADDITIONAL QUESTIONS

1. What are steps in Recruitment Process?

Recruitment process includes the following steps :

- i. Planning recruitment
- ii. Determining vacancies
- iii. Identifying the sources
- iv. Drafting information for advertisement
- v. Selecting the suitable mode of advertisement
- vi. Facilitating selection process
- vii. Evaluation and control

2. List out Internal Sources – Transfer, Upgrading, Promotion, Demotion, Recommendation by existing Employees, Job rotation, Retired employees, Dependants, Previous applicants, Acquisitions and Mergers

3. What is meant by Transfer?

The simplest way by which an employee requirement can be filled is through transfer of employee from one department with surplus staff to that of another with deficit staff.

4. What is meant by Demotion?

Movement of employee from a higher position to a lower position because of poor performance continuously to make him realise the significance of performance

5. What is Job rotation?

One single employee managing to learn how to perform in more than one job on rotation. This familiarises the employees with all kind of jobs performed and becomes a source.

6. What is meant by Walk ins and Campus Recruitment?

Walkins– Walk-in applicants with suitable qualification and requirement can be another source of requirement.

Campus Recruitment – The organisations visit the educational institutions to identify and recruit suitable candidates.

7. What is meant by e-recruitment?

e-Recruitment – The organisations which carry out recruitment online methods is said to follow e recruitment. The advancement in technology and communication has made it possible to reach out prospective applicants globally online. It has become inevitable external source of recruitment.

UNIT TEST QUESTIONS

I. Choose the Correct Answers:

1. Recruitment is the process of identifying ____.

- a) right man for right job
- b) good performer
- c) Right job
- d) All of the above

2. Recruitment bridges gap between _____

and _____ .

- a) job seeker and job provider
- b) job seeker and agent
- c) job provider and owner
- d) owner and servant

3. Advertisement is a _____ source of recruitment

- a) internal b) external

c) agent d) outsourcing

4. Transfer is an _____ source of recruitment.

a) internal b) external
c) outsourcing d) None of the above

5. E-recruitment is possible only through _____ facility.

a) Computer b) internet
c) Broadband d) 4G

Answers:

1 a 2 a 3 b 4 a 5 b

II. Very Short Answer Questions:

1. Give the meaning of Recruitment.
2. What is promotion ?
3. Write any two internal source of recruitment.
4. What is meant by Poaching?

III. Short Answer Questions:

1. What is meant by unsolicited applicants?
2. What is meant by job portals?
3. State the steps in Recruitment process outsourcing.

IV. Long Answer Questions:

1. Explain the Internal sources of Recruitment (any 5).
2. Explain the External sources of Recruitment (any 5).
3. What is the Recent trends in Recruitment?

UNIT IV HUMAN RESOURCE

MANAGEMENT

CHAPTER 11 EMPLOYEE SELECTION PROCESS

CHAPTER SYNOPSIS

11.01 Meaning & definition of Employee Selection process

11.02 Steps in Employee Selection Process

11.03 Factors influencing Selection Process

11.04 Importance of Selection

11.05 Selection differs from Recruitment

11.06 Placement

11.07 Significance of Placement

11.08 Principles of Placement

Important Points

A selection process includes a number of steps – screening the application forms, test, interview, checking of references, physical examination, and approval by appropriate authority, and handing over the selected candidates to orientation and placement section.

Selection is the process of differentiating between applicants in order to identify and hire those with a greater likelihood of success in a job. Selection is the process of choosing the most suitable person for the vacant position in the organization.

David & Robbins: Selection is a managerial decision making process is to predict which job applicants will be successful if hired.”

Selection Test

Several tests are conducted in the selection process to ensure whether the candidate possesses the necessary qualification to fit into various positions in the organization.

Aptitude test

Aptitude test is a test to measure suitability of the candidates for the post/ role. It actually measures whether the candidate possess a set of skills required to perform a given job.

Achievement Test

This test measures a candidate's capacity to achieve in a particular field. In other words this test measures a candidate's level of skill in certain areas, accomplishment and knowledge in a particular subject. The regular examination conducted in educational institution represents achievement test. It is also called proficiency test.

Attitude Test

This test measures candidate's tendencies towards the people, situation, action and related things. For example, morale study, values study, social responsibility study expresses attitude test and the like are conducted to measure the attitude of the candidate.

Personality Test

Personality test refers to the test conducted to find out the non-intellectual traits of a candidate namely temperament, emotional response, capability and stability. There is no right or wrong answer in the test. It comprises of following tests.

Interview

Next step in selection process is interview. The term 'interview' has been derived from French word enter voir that means to glimpse or to see each other. In other words interview represents a face to face interaction between the interviewer and interviewee.

According to Scott and others "an interview is a purpose full exchange of ideas, the answering of questions and

communication between two or more persons."

The process of placing the right man on the right job is called 'Placement'.

In other words, Placement is a process of assigning a specific job to each and every candidate selected.

According to Dale Yoder, Placement may be defined as "the determination of the job to which an accepted candidate is to be assigned, and his assignment to that job".

I. Choose the Correct**Answers:****1. The recruitment and Selection Process**

aimed at right kind of people.

- a) At right people b) At right time
c) To do right things d) All of the above

2. Selection is usually considered as a _____ process

- a) Positive b) Negative
c) Natural d) None of these

3. Which of the following test is used to measure the various characteristics of the candidate?

- a) physical Test b) Psychological Test
c) attitude Test d) Proficiency tests

4. The process of eliminating unsuitable candidate is called

- a) Selection b) Recruitment
c) Interview d) Induction

5. Job first man next is one of the principles of _____.

- a) Test b) Interview
c) Training d) placement

Answers:

1 d 2 b 3 b 4 a 5 a

II. Very Short Answer Questions:**1. What is selection?**

Selection is the process of choosing the most suitable person for the vacant

position in the organization.

2. What is an interview?

interview represents a face to face interaction between the interviewer and interviewee. According to Scott and others “an interview is a purpose full exchange of ideas, the answering of questions and communication between two or more persons.”

3. What is intelligence test?

Intelligence Test

Intelligence tests are one of the psychological tests, that is designed to measure a variety of mental ability, individual capacity of a candidate. The main aim of these tests is to obtain an idea of the person’s intellectual potential.

4. What do you mean by placement?

Placement

The process of placing the right man on the right job is called ‘Placement’. In other words, Placement is a process of assigning a specific job to each and every candidate selected.

III. Short Answer Questions:

1. What is stress interview?

Stress Interview

This type of interview is conducted to test the temperament and emotional balance of the candidate interviewed. Interviewer deliberately creates stressful situation by directing the candidate to do irrational and irritating activities. They assess the suitability of the candidate by observing the reaction and response of the candidate to the stressful situations. Mostly this type of interview is conducted for recruiting sales representatives staff for defence and law enforcement agencies.

2. What is structured interview?

Structure/Guided/Planned Interview

Under this method, a series of question to be asked by the interviewer are prepared by the interviewer and only these questions are asked in the interview. Ultimately interviewees are ranked on the basis of score earned by the candidate in the interview.

3. Name the types of selection test?

Selection Test

Several tests are conducted in the selection process to ensure whether the candidate possesses the necessary qualification to fit into various positions in the organization

Selection Test

Ability Tests

1. Aptitude
2. Achievement
3. Intelligence
4. Judgement

Personality Tests

1. Interest
2. Personality
3. Projective
4. Attitude

5. What do you mean by achievement test?

Achievement Test

This test measures a candidate’s capacity to achieve in a particular field. In other words this test measures a candidate’s level of skill in certain areas, accomplishment and knowledge in a particular subject. The regular examination conducted in educational institution represents achievement test. It is also called proficiency test. This test is

conducted before, during or after a learning experience.

IV. Long answer questions:

1. Briefly explain the various types of tests. (any 5)

Selection Test

Several tests are conducted in the selection process to ensure whether the candidate possesses the necessary qualification to fit into various positions in the organization

A) Ability Test

A test designed to measure an individual's cognitive function in a specific area, such as variety of skills, mental aptitude, problem solving, knowledge of particular field, reasoning ability, intelligence etc. This test is used to find the suitability of a candidate for a given job role.

1. Aptitude test

Aptitude test is a test to measure suitability of the candidates for the post/role. It actually measures whether the candidate possess a set of skills required to perform a given job. It helps in predicting the ability and future performance of the candidate. Aptitude test can be measured by the following ways:

i) Numerical Reasoning Test - Numerical reasoning test provides information about candidate's numerical aptitude. In other words this test measure the candidate's ability to make correct decision from numerical data.

ii) Verbal Reasoning Test - It measures the candidate's ability to comprehend the written text and ability to arrive at factual conclusion from the written text.

iii) Inductive Reasoning Test - Inductive Test is one of the psychometric tests conducted in the selection process to measure the problem solving abilities and ability to apply logical reasoning.

iv) Mechanical Reasoning Test - This test measures the engineering student's ability to apply engineering concepts in actual practice.

v) Diagrammatic Reasoning Test - This test measures the candidate's ability to understand the shapes, abstract ideas and ability to observe and extract values from illustrations and apply them to new samples.

vi) Spatial Reasoning Test - The test measures the candidate's ability to clearly manipulate and remember the shapes, still images, and find out pattern which govern the sequence.

vii) Situational Judgment Test - This test measures the candidate's ability to choose the most desirable action in critical situations using his judging ability.

viii) Mental Arithmetic Test - It tests the candidate's basic numerical ability like addition, subtraction, multiplication, division and fraction. It tests the speed of doing calculation.

ix) Vocabulary Test - The test measures candidate's ability to recognize the relationship among the ideas, think methodically and fluency in English language.

x) Number Sequence Test - This measures the candidate's ability to find a logic in a series or pattern. Under this test, candidates have to find out missing number in a sequence to determine the pattern.

Judgment Test

This test is conducted to test the presence of mind and reasoning capacity of the candidates

B) Personality Test

Personality test refers to the test conducted to find out the non-intellectual traits of a candidate namely temperament, emotional response, capability and stability. There is no right or wrong answer in the test. It comprises of following tests.

1. Interest Test

Interest test measures a candidate's extent of interest in a particular area chosen by him/ her so that organization can assign the job suited to his/her in term.

2. Personality Inventory Test

Under this method standardised questionnaire is administered to the candidate to find out traits like interpersonal rapport, dominance, intravertness, extravertness, self confidence, lower sign quality etc. This test assesses the reliability and innate characters of the candidate concerned.

3. Projective Test / Thematic Appreciation Test

This test measures the candidate's values, attitude apprehensive personality etc. out of the interpretation or narration given by the candidate to the pictures, figures etc. shown to him in the test situation.

2. Explain the important methods of interview (any 5).**01) Screening / Telephone Interview**

Where the candidates live far away from organization and find it difficult to attend preliminary interview for various reasons, telephone interview is conducted by some organization to eliminate unfit and unsuitable candidate at the preliminary stage itself.

02) In depth Interview

This interview is conducted to test the level of knowledge of the interviewee in a particular field intensively and extensively. Thus interview helps the interviewers to learn about the candidate's expertise and practical exposure with respect to his/her area of specialization.

03) Video Conferencing Interview

Video conferences interview is similar to face to face interview. Video conferencing interview is a kind of conference call that connects the candidate with companies located across various

geographies. Just like telephone call a video conferencing interview has multi point which allows two or more people in different locations to participate in the interview process. Interview can be conducted from a desktop at work, a home computer or smart phone or a tablet.

04) Group Interview

A group interview is a screening process where multiple candidates are interviewed at the same time. Group interview is a good time saving type of interview. Instead of spending 5 hours interviewing 5 candidates individually, one hour can be spent interviewing them in a group. Some time particular topic is given to the group, and they are asked to discuss it. The competency of members of group is assessed by keenly observing the participation of members in the discussion.

05) Panel Interview

Where a group of people interview the candidate, it is called panel interview. Usually panel comprises chair person, subject expert, psychological experts, representatives of minorities/underprivileged groups, nominees of higher bodies and so on. All panel members ask different types of questions on general areas of specialization of the candidate. Each an every member awards marks for the candidate separately. At the end, the marks awarded by all the members are aggregated and the candidates are ranked accordingly. This method eliminates bias in selection process. It ensures more reliability in the selection of the candidate.

06) Preliminary Interview

This interview is conducted to know the general suitability of the candidates who have applied for the job. Team of experts conducts their interview primarily to eliminate those who are unqualified and unfit candidates. This helps the employer organization to cut cost and time in selection process.

07) Stress Interview

This type of interview is conducted to test the temperament and emotional balance of the candidate interviewed. Interviewer deliberately creates stressful situation by directing the candidate to do irrational and irritating activities. They assess the suitability of the candidate by observing the reaction and response of the candidate to the stressful situations. Mostly this type of interview is conducted for recruiting sales representatives staff for defence and law enforcement agencies.

3. Differentiate Recruitment and Selection. (any 5)

S. No.	Basis of Comparison	Recruitment	Selection
1	Meaning	Recruitment is an activity of searching candidates and encouraging them to apply for it.	Selection refers to the process of selecting the suitable candidates and offering them job.
2	Approach	Approach under recruitment is positive one.	Approach under selection is negative one.
3	Objective	Inviting large number of candidates to apply for the vacant post	Picking up the most suitable candidates and eliminating the rest
4	Sequence	First	Second
5	Method	It is an economical method	It is an expensive method
6	Contractual relation	It involves the communication of vacancies. No contractual relation is established	It creates contractual relation between employer and employee
7	Process	Recruitment process is very simple	Selection process is very complex and complicated
8	Time	Requires less time since it merely involves just identifying vacancies and advertising them. Hence less time is required	It is more consuming as each and every candidate has to be tested on various aspects before selecting the candidates. Hence more time is required

ADDITIONAL QUESTIONS

1. What are the Factors influencing Selection Process?

Factors influencing employee selection process are listed below

1. Nature of Post

The process of selection of employee varies according to type of personnel to be recruited. For instance, selection process of probationary officer of a bank differs from that of selection of officer for Indian Police Service.

2. Number of Candidates

Selection process depends on the response of candidates to the advertisement inviting applications for the post. For instance, for clerical and other physical jobs, more candidate tend to apply. Hence short listing needs to be done. The selection process would be longer if the number of applicants is lesser and consequently selection process becomes shorter.

3. Selection Policy

The selection policy and selection process are inter-related. For example some organizations put in place tougher selection process involving several steps to identify the best fit while certain other organizations just conduct straight interview and thus cutting short the selection procedure.

4. Cost factor / Budget

The longer selection process entails higher cost. Hence, organizations which cannot afford to spend a larger resource tend to shorten selection process while organizations with sound financial condition can afford to adopt lengthier selection process.

5. Level of Educational Qualification and Experience and Exposure

The process of selection depends on the experience and educational qualification, and exposure required for the post. For example for selection of finance officer, treasurer, legal adviser, designer, architecture, CEOs, scientist, chairman etc. selection process is shorter as only few candidates compete with higher educational qualification, and credentials.

2. What are the Importance of Selection?

1. Good Talent

Proper selection system enables the

organization to appoint talented persons for various activities and thereby leading to improved productivity and profitability of the organisation.

2. Better Efficiency

Selection of right person to the right job is sure to produce better quality of work and may facilitate faster achievement of objectives. This will help in greater measure to tone up the overall efficiency of organisation.

3. Reduced Cost of Training and Development

Better selection of candidates definitely reduces the cost of training because qualified personnel have better grasping power. If they select suitable candidates for suitable job, they can easily understand the techniques of the work better in quick time. Besides, the organization can develop different training programmes for different persons on the basis of their individual differences, thus reducing the time and cost of training considerably.

4. Reduced Turnover

Proper selection of candidates contributes to low labour turnover. This will in turn help the organisation to minimize recruitment cost.

5. Job Motivation

If the right person is selected for the right job, it tends to motivate the person to work more effectively and efficiently. They feel that their skills are properly used and they tend to contribute more attention to the job.

6. Other Benefits

Proper selection of candidates reduces absenteeism. They would pay better attention to their jobs and take safety precautions on their own accord would minimize the occurrence of work place accidents

2. What are the Principles of Placement?

Following principles are followed at the time of placement of an employee:

1. Job First, Man Next

Man should be placed on the job according to the requirements of the job. There is no compromise on the requirements or qualifications of the man with respect to job.

“Job first Man next” should be principles of Placement.

2. Job Offer

The job should be offered to the man based on his qualification.

3. Terms and conditions

The employee should be made conversant with the conditions and culture prevailing in the organization and all those things relating to the job.

4. Aware about the Penalties

The employee should also be made aware of the penalties if he / she commits a wrong or lapse.

5. Loyalty and Co-operation

When placing new recruit on the job, an effort should be made to develop a sense of loyalty and co-operation in him, so that he/ she may realise his/her responsibilities better towards the job and the organization.

Placement is not an easy process. It is very difficult for a new employee, who cannot be expected to be not familiar with the job and environment. For this reason, the employee is generally put on a probation/trial period ranging from one year to two years. After completion of the probation period, if the employee shows a better performance, he/she is confirmed at the job as a regular employee of the organization.

UNIT TEST QUESTIONS

I. Choose the Correct

Answers:

1. The recruitment and Selection Process

aimed at right kind of people.

- a) At right people b) At right time
c) To do right things d) All of the above

2. Selection is usually considered as a _____ process
- a) Positive b) Negative
c) Natural d) None of these
3. Which of the following test is used to measure the various characteristics of the candidate?
- a) physical Test b) Psychological Test
c) attitude Test d) Proficiency tests
4. The process of eliminating unsuitable candidate is called
- a) Selection b) Recruitment
c) Interview d) Induction
5. Job first man next is one of the principles of _____.
- a) Test b) Interview
c) Training d) placement

II. Very Short Answer Questions:

1. What is selection?
2. What is an interview?
3. What is intelligence test?
4. What do you mean by placement?

III. Short Answer Questions:

1. What is stress interview?
2. What is structured interview?
3. Name the types of selection test?
4. What do you mean by achievement test?

IV. Long answer questions:

1. Briefly explain the various types of tests.
(any 5)
2. Explain the important methods of interview
(any 5).
3. Differentiate Recruitment and Selection.
(any 5)

UNIT IV HUMAN RESOURCE MANAGEMENT

CHAPTER 12 EMPLOYEE TRAINING METHOD

CHAPTER SYNOPSIS

12.01 Purpose of Training or Need for Training

12.02 Steps in Designing a Training Programme

12.03 Training Method

12.03 (i) On the Job Training

12.03 (ii) Off the Job Training

12. 04 Difference Between on the Job Training and off the Job Training

12.05 Benefits of Training

IV

Training is the act of increasing / enhancing the new skill of problem solving activity and technical knowledge of an employee for doing the jobs them self.

According to Edwin B. Flippo” Training is the act of increasing the Knowledge and skills of an employee for doing particular jobs”.

Training Methods

On the Job Training and Off the Job Training

I. Choose the Correct Answers:

1. Off the Job training is given
a) In the class room

- b) On off days
- c) Outside the factory
- d) In the playground

2. Improves Skill Levels of employees to ensure better job performance

- a) Training
- b) Selection
- c) Recruitment
- d) Performance appraisal

3. When trainees are trained by supervisor or

by superior at the job is called

- a) Vestibule training
- b) Refresher training
- c) Role play
- d) Apprenticeship training

4. _____ is useful to prevent skill obsolescence of employees

- a) Training b) Job analysis
- c) Selection d) Recruitment

5. Training methods can be classified into

_____ and _____ training.

- a) Job rotation and Job enrichment
- b) On the Job and Off the Job
- c) Job analysis and Job design
- d) Physical and mental

Answers:

1 c 2 a 3 d 4 a 5 b

II. Very Short Answer Questions:

1. What is meant by training?

Training is the act of increasing / enhancing the new skill of problem solving activity and technical knowledge of an employee for doing the jobs them self.

2. What is Mentoring training method?

Mentoring method

Mentoring is the process of sharing knowledge and experience of an employee. The focus in this training is on the development of attitude of trainees. It is mostly used for managerial employees. Mentoring is always done by senior person, it is also one-to-one interaction ,like coaching. Besides the mentor is

responsible for the providing necessary support to trainees, and feedback on the performance of trainee.

3. What is Role play?

Role Play Method

Under this method trainees are explained the situation and assigned roles. They have to act out the roles assigned to them without any rehearsal. There are no pre-prepared dialogues. Thus they have to assume role and play the role without any preparation. For example the role of customer and salesman, management and union leader, foreman and worker etc. may be played in the training arrangements. The moderator after observing the role played gives his views to the role players.

4. State e-learning method?

E-learning Method

E learning is the use of technological process to access of a traditional classroom or office. E learning is also often referred to us online learning or web based training. E learning training courses can save lakhs and lakhs of rupees to an organizations as they no longer have to pay for over time or costly seminar to improve employees skills. Under this type of web based training is anywhere and any time information can pass over the internet.

III. Short Answer Questions:

1. What is vestibule training?

Vestibule Training Method

Vestibule training is training of employees in an environment similar to actual work environment artificially created for training purpose. This type of training is given to avoid any damage or loss to machinery in the actual place by trainees

and avoid disturbing the normal workflow in the actual workplace.

2. What do you mean by on the job Training?

On the Job Training

On the job training refers to the training which is given to the employee at the work place by his immediate supervisor. In other words the employee learns the job in the actual work environment. It is based on the principle of "Learning by Doing and Learning While Earning". On the job training is suitable for imparting skills that can be learnt in a relatively short period of time.

3. Write down various steps in a training programme.

1. Whom to Train?
2. Who is the Trainee?
3. Who are Trainers?
4. What Method will be used for Training?
5. What should be Level the Training?
6. Where to Conduct the Training Programme?

5. Write short note on trainer and trainee.

Trainer

Trainer is a person who teaches skills to employee and prepare them for a job activity. Trainers may be supervisor, coworkers, HR staffs, specialists in the other parts of the company, outside consultants, industry association, faculty members of Educational Institutions like University etc. The trainers is otherwise called Instructor, Coach, Teacher, Mentor, Adviser, Counsellor, Guide, Guru

Manager, Handler, Tutor and Educator etc.,

Trainee

A person who is learning and practising the skills of particular job is called trainee. Trainees should be selected on the basis of selfinterest and recommendation by the supervisor or by the human resource department itself.

IV. Long Answer Questions:

1. Discuss various types of training. (any 5)

(I) On the Job Training

On the job training refers to the training which is given to the employee at the work place by his immediate supervisor. In other words the employee learns the job in the actual work environment. It is based on the principle of "Learning by Doing and Learning While Earning". On the job training is suitable for imparting skills that can be learnt in a relatively short period of time. The following are the on the job training methods

i) Coaching Method

In the coaching method of training, the superior teaches or guides the new employee about the knowledge and skills relevant to a given job. In this method superior plays the role of coach or guide and an instructor. Under this method the superior should point out mistakes/lapses committed by the new worker and also advise the remedial measures, to trainees. The trainees can clear their doubts then and there.

ii) Mentoring method

Mentoring is the process of sharing knowledge and experience of an employee. The focus in this training is on the development of attitude of trainees. It is mostly used for managerial employees. Mentoring is always done by senior

person, it is also one-to-one interaction, like coaching. Besides the mentor is responsible for the providing necessary support to trainees, and feedback on the performance of trainee.

iii) Job Rotation Method

Job rotation is an important method for broadening the knowledge of executives. Under this method a trainee is periodically shifted from one work to another work and from one department / division to another department / division for a particular period of time. The main aim of job rotation is to expose the employee to various inter related jobs.

The main aim of job rotation is to

iv) Job Instruction Techniques (JIT) Method:

In this method, a trainer at the supervisory level gives some instructions to an employee to how to perform his job and its purpose.

v) Apprenticeship Training Method:

The apprentice or trainee learns the job knowledge and skills from the trainer or superior or senior worker. Generally the apprenticeship training is given to the technical cader like that Mechanics, Electricians, Craftsmen, Welders, Fitter etc., This duration of this training programme ranges from one to five years. The trainee gets the stipend during the training period.

(II) Off the Job Training

Off the job training is the training method where in the workers/employees learn the job role away from the actual work floor. In other words training which is carried out away from your normal place of work. Off-the-job training comprises of a place specifically allotted for the training purpose which may be near the actual work place, where the workers are required to learn the skills and get well equipped with the tools and techniques that are to be used at the actual work floor.

i) Lecture Method

Under this method trainees are educated about concepts, theories, principles and

application of knowledge in any particular area. Trainer may be generally drawn from Colleges, Universities, Consultancies, Institutions, Manufacturing concern, Union etc., They impart training effectively by their oratorical skill, knowledge and practical knowledge using audio visual tools.

ii) Group Discussion Method

Group of people participate and discuss particular subject or one topic. Under this method participants are divided into various groups. They were provided a particular issue for deliberation. Each groups has to prepare solution after deep discussion with their group members. The group leader has to present the solution to the audience, which will be discussed or deliberated by other groups. Moderator will give final solution after listening to divergent view points.

Case Study Method

Trainees are described a situations which stimulate their interest to find solution. They have to use their theoretical knowledge and practical knowledge to find solution to the problem presented. There is no single solution to the problem. It may vary depending upon view points of trainees. In short, the purpose of case study method is, to make trainee apply their knowledge.

iv) Role Play Method

Under this method trainees are explained the situation and assigned roles. They have to act out the roles assigned to them without any rehearsal. There are no pre-prepared dialogues. Thus they have to assume role and play the role without any preparation. For example the role of customer and salesman, management and union leader, foreman and worker etc. may be played in the training arrangements. The moderator after observing the role played gives his views to the role players.

2. What are the difference between on the job

training and off the job training?
(any 5)

3. Explain the benefits of training. (2 points

6. from each headings)

Benefits of Training

(i) Benefits to the Organization

- i) It improves the skill of employees and enhances productivity and profitability of the entity.
- ii) It reduces wastages of materials and idle time
- iii) It exposes employees to latest trends.
- iv) It minimizes the time for supervision.

(ii) Benefits to the Employees

- i) It adds to the knowledge skill and competency of employee
- ii) It enables him to gain promotion or achieve career advancement in quick time.
- iii) It improves the employees productivity

(iii) Benefits of Customer

- i) Customers get better quality of product/ service.
- ii) Customers get innovative products or value added or feature rich products.

ADDITIONAL QUESTIONS

1. Write a short notes on Lecture Method

Under this method trainees are educated about concepts, theories, principles and application of knowledge in any particular area. Trainer may be generally drawn from Colleges, Universities, Consultancies, Institutions, Manufacturing concern, Union etc., They impart training effectively by their oratorical skill,

knowledge and practical knowledge using audio visual tools.

2. Write a shot notes on Group Discussion Method

Group of people participate and discuss particular subject or one topic. Under this method participants are divided into various groups. They were provided a particular issue for deliberation. Each groups has to prepare solution after deep discussion with their group members. The group leader has to present the solution to the audience, which will be discussed or deliberated by other groups. Moderator will give final solution after listening to divergent view points.

3. What are the Purpose of Training or Need for Training?

The purpose of Training can be explained as follows

i) Improved Quality of Work

Training helps to focus on specific area and develop employee skills. It enables employee to increase the quality of work carried out by them.

ii) Enhance Employee Growth

Employees who undergo training becomes good at their job. Imparting new skills helps in performance enhancement of the employees.

iii) Prevention of Obsolence

Training helps to learn more knowledge regarding the latest technologies and techniques. The employee gets updated with the latest technology and trend. The major purpose of training is to avoid obsolence.

iv) Enlightening New Recruits

New employee can learn the methods of working, techniques, reporting, related tools and equipment used in the job, the work culture of the company etc. with the help of training.

v) Improved Safety Measures

Employees gain awareness about the risks involved in job and safety measure to be adopted through a proper training

program. This helps to improve safety in the work place and avoid accidents.

vi) Motivating Employees

An employee needs continuous development to move along the career path as per the career planning. Training motivates and instils organizational commitment.

vii) Higher Productivity and Profits

Efficient training improves higher productivity and more profits as the trained employee can apply more skills and techniques at works. It helps them do work at faster rate and complete it with high perfection.

UNIT TEST QUESTIONS

I. Choose the Correct Answers:

1. Off the Job training is given

- a) In the class room
- b) On off days
- c) Outside the factory
- d) In the playground

2. Improves Skill Levels of employees to ensure better job performance

- a) Training
- b) Selection
- c) Recruitment
- d) Performance appraisal

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3. When trainees are trained by supervisor or by superior at the job is called

- a) Vestibule training
- b) Refresher training
- c) Role play
- d) Apprenticeship training

4. _____ is useful to prevent skill obsolescence of employees

- a) Training b) Job analysis
- c) Selection d) Recruitment

5. Training methods can be classified into

_____ and _____ training.

- a) Job rotation and Job enrichment
- b) On the Job and Off the Job
- c) Job analysis and Job design
- d) Physical and mental

Answers:

1 c 2 a 3 d 4 a 5 b

II. Very Short Answer Questions:

1. What is meant by training?
2. What is Mentoring training method?
3. What is Role play?
4. State e-learning method?

III. Short Answer Questions:

1. What is vestibule training?
2. What do you mean by on the job Training?
3. Write down various steps in a training programme.
4. Write short note on trainer and trainee.

IV. Long Answer Questions:

1. Discuss various types of training. (any 5)
2. What are the difference between on the job training and off the job training? (any 5)
3. Explain the benefits of training. (2 points from each headings)

UNIT V ELEMENTS OF MARKETING CHAPTER 13 CONCEPT OF MARKET AND MARKETER

CHAPTER SYNOPSIS

13.01 Meaning and Definition of Market

13.02. Need for Market

13.03. Classification of Markets

13.04. Meaning and Definition of Marketer

13.05. What can be Marketed?

13.06. Role of a Marketer

13.07. Functions of Marketer

the meeting place of buyers and sellers in an area is called Market.

According to Pyle “Market includes both place and region in which buyers and sellers are in free competition with one another.”

In the words of Clark and Clark “A market is a centre or an area in which the forces leading to exchange relate to a particular product operate and towards which the actual goods tend to travel.”

Need for Market

- i. To exchange (barter) goods and services.
- ii. To adjust demand and supply by price mechanism.
- iii. To improve the quality of life of the society.
- iv. To introduce new modes of life.
- v. To develop product by enhancing market segment.

Meaning of marketer

1. One who deals in a market; specifically,

one who promotes or sells a product or service

2. A marketer is someone whose job involves marketing

3. Someone who promotes or exchanges goods or exchanges goods or services for money

Definition of marketer

“A person whose duties include the identification of the goods and services desired by a set of consumers, as well as the marketing of those goods and services on behalf of a company”.

- Business Dictionary

Functions of Marketer

- i. Gathering and Analysing market information
- ii. Market planning
- iii. Product Designing and development
- iv. Standardisation and Grading
- v. Packaging and Labelling
- vi. Branding
- vii. Customer Support Services
- viii. Pricing of Products
- ix. Promotion and Selling
- x. Physical Distribution
- xi. Transportation
- xii. Storage and Warehousing

I. Choose the Correct Answers:

1. One who promotes (or) Exchange of goods or services for money is called as

- .
- a) Seller b) Marketer
 - c) Customer d) Manager

2. The marketer initially wants to know in the marketing is .

- a) Qualification of the customer
- b) Quality of the product
- c) Background of the customers
- d) Needs of the customers

3. The Spot market is classified on the basis of .

- a) Commodity b) Transaction
- c) Regulation d) Time

4. Which one of the market deals in the purchase and sale of shares and debentures?

- a) Stock Exchange Market
- b) Manufactured Goods Market
- c) Local Market
- d) Family Market

5. Stock Exchange Market is also called

- a) Spot Market b) Local Market
- c) Security Market d) National Market

Answers:

1 b 2 d 3 b 4 a 5 c

II. Very Short Answer Questions:

1. What is Market?

The meeting place of buyers and sellers in area is called Market.

2. Define Marketer.

Definition of marketer

“A person whose duties include the identification of the goods and services desired by a set of consumers, as well as the marketing of those goods and services on behalf of a company”.

- Business Dictionary

3. What is mean by Regulated Market?

Regulated Market: These are types of markets which are organised, controlled and regulated by statutory measures.

Example: Stock Exchanges of Mumbai, Chennai, Kolkata etc.

4. What is meant by Spot Market?

Spot Market: In such markets, goods are exchanged and the physical delivery of goods takes place immediately.

5. What is meant by Commodity Market?

Commodity Market:

A commodity market is a place where produced goods or consumption goods are

bought and sold.

II. Short Answer Questions:

1. What can be marketed in the Market? (any 3)

Goods: Manufactured Goods are the main constituent of marketing endeavor in all the countries across the world. Companies and individuals market goods like consumer durables, electronic products, machineries, Computers and its software and hardware etc.,

ii. Services: Not only physical goods can be marketed. Even the services of many organisations can be marketed to the consumers namely banking, insurance, finance, hospitality, tourism, professional consultations etc.,

iii. Experiences: The unique and varied experiences pertaining to a place or a park or an event can be marketed under this concept. For eg. Amusement Park, Theme Park, Mountaineering etc.,

iv. Events: The event marketing aims at promoting and marketing of special events, shows, exhibitions, fairs, performances, sports events like World Cup, Olympics, T20 etc.,

2. Mention any three Role of Marketer?

Role of a Marketer

The marketer plays four roles as follows

i. Instigator

As an instigator, marketer keenly watches the developments taking place in the market and identifies marketing opportunities emerging in the ever changing market. He/she puts in place appropriate marketing mix to capitalize the opportunity. In such a case, marketer plays as an instigator and leads the business toward new directions.

ii. Innovator

Marketer seeks to distinguish his products/

services by adding additional features or functionalities to the existing product, modifying the pricing structure, introducing new delivery pattern, creating new business models, introducing change in production process and so on.

iii. Integrator

Marketer plays a role of integrator in the sense that he collects feedback or vital inputs from channel members and consumers and provides products/service solutions to customers/consumers by co-ordinating multiple functions of organisation.

iv. Implementer

Marketer plays a role of implementer when he/she actually converts marketing opportunities into marketable product with the help of several functional teams put in place in the organisation.

3. Explain the types of market on the basis of time.

On the Basis of Time

i. Very Short Period Market: Markets which deal in perishable goods like, fruits, milk, vegetables etc., are called as very short period market. There is no change in the supply of goods. Price is determined on the basis of demand.

ii. Short Period Market: i. In certain goods, supply is adjusted to meet the demand. The demand is greater than supply. Such markets are known as Short Period Market.

iii. Long Period Market: This type of market deals in durable goods, where the goods and services are dealt for longer period usages.

III. Long Answer Questions:

1. How the market can be classified? (any 5)

Classification of Markets

On the basis of different approaches

markets have been classified on the basis of Area, Nature of Goods, and Economic view, Transaction, Regulation, Time, Volume and importance. The detailed classification is presented in the following chart.

I. On the Basis of Geographical Area

a. Family Market: When exchange of goods or services are confined within a family or close members of the family, such a market can be called as family market.

b. Local Market: Participation of both the buyers and sellers belonging to a local area or areas, may be a town or village, is called as local market. The demands are limited in this type of market. For example, perishable goods like fruits, fish, vegetables etc. But strictly speaking such markets are disappearing because of the efficient system of transportation and communication. Even, then, in many villages such markets exist even today.

c. National Market: a. Certain type of commodities has demand throughout the country. Hence it is called as a national market. Today the goods from one corner can reach another corner with ease as the communication and transportation facilities are developed well in India. This creates national markets for almost all the products.

d. International Market or World Market:

World or international market is one where the buyers and sellers of goods are from different countries i.e., involvement of buyers and sellers beyond the boundaries of a nation.

II. On the Basis of Commodities/Goods

a. Commodity Market:

A commodity market is a place where produced goods or consumption goods are bought and sold. Commodity markets are subdivided into:

i. Produce Exchange Market: It is an organised market where commodities or agricultural produce are bought and sold on wholesale basis. Generally it deals with a single commodity. It is regulated and controlled by certain rules. e.g. Wheat Exchange Market of Hapur, the Cotton Exchange Market of Bombay etc.

ii. Manufactured Goods Market: This market deals with manufactured goods. e.g., Leather goods, Manufactured machinery etc. The Leather Exchange Market at Kanpur is an example of the same.

iii. Bullion Market: This type of market deals with the purchase or sale of gold and silver Bullion markets of Mumbai, Kolkata, Kanpur etc., are examples of such markets.

b. Capital Markets:

New or going concerns need finance at every stage. Their financial needs are met by capital markets. They are of three types:

i. Money Market: It is a type of market where short term securities are exchanged. It provides short term and very short term finance to industries, banks, governments agencies and financial intermediates.

12th

ii. Foreign Exchange Market: It is an international market. This type of markets helps exporters and importers, in converting their currencies into foreign currencies and vice versa.

iii. The Stock Market: This is a market where sales and purchases of shares, debentures, bonds etc., of companies are dealt with. It is also known as Securities market. Stock Exchanges of Mumbai, Kolkata, Chennai etc., are examples for this type of market.

III. On the Basis of Economics

a. Perfect Market: A market is said to be a perfect market, if it satisfies the following conditions:

i. Large number of buyers and sellers are there.

ii. Prices should be uniform throughout the market.

iii. Buyers and sellers have a perfect knowledge of market.

iv. Goods can be moved from one place to another without restrictions.

v. The goods are identical or homogenous. It should be remembered that such types of markets are rarely found.

b. Imperfect Market: A market is said to be imperfect when

i. Products are similar but not identical.

ii. Prices are not uniform.

iii. There is lack of communication.

iv. There are restrictions on the movement of goods.

IV. On the Basis of Transaction

i. Spot Market: In such markets, goods are exchanged and the physical delivery of goods takes place immediately.

ii. Future Market: In such markets, contracts are made over the price for future delivery. The dealing and settlement take place on different dates.

V. On the Basis of Regulation

i. Regulated Market: These are types of markets which are organised, controlled and regulated by statutory measures.

Example: Stock Exchanges of Mumbai, Chennai, Kolkata etc.

ii. Unregulated Market: A market which is not regulated by statutory measures is called unregulated market. This is a free market, where there is no control with regard to price, quality, commission etc. Demand and supply determine the price of goods.

VII. On the Basis of Volume of Business

i. Wholesale Market: In wholesale market goods are supplied in bulk quantity to dealers/ retailers. The goods and services are not sold to customers directly.

ii. Retail Market: In retail market the goods are purchased from producer or wholesales and sold to customers in small quantities by retailers.

2. How the market can be classified on the basis of Economics?

III. On the Basis of Economics

a. Perfect Market: A market is said to be a perfect market, if it satisfies the following conditions:

- i. Large number of buyers and sellers are there.
 - ii. Prices should be uniform throughout the market.
 - iii. Buyers and sellers have a perfect knowledge of market.
 - iv. Goods can be moved from one place to another without restrictions.
 - v. The goods are identical or homogenous.
- It should be remembered that such types of markets are rarely found.

b. Imperfect Market: A market is said to be imperfect when

- i. Products are similar but not identical.
- ii. Prices are not uniform.
- iii. There is lack of communication.
- iv. There are restrictions on the movement of goods.

ADDITIONAL QUESTIONS

1. What is meant by Market?

The word market is derived from the Latin word 'Marcatus' which means trade, commerce, merchandise, a place where business is transacted. The common usage of market means a place where goods are bought or sold. It is a medium or place to interact and exchange goods and services. In simple words, the meeting place of buyers and sellers in an area is called Market.

2. Define Market

The term market defined by different authors in different ways among them the most important are given below.

i. According to Pyle "Market includes both place and region in which buyers and sellers are in free competition with one another."

ii. In the words of Clark and Clark "A market is a centre or an area in which the forces leading to exchange tend to a particular product operate and towards which the actual goods tend to travel."

3. What are the Need for Market?

- i. To exchange (barter) goods and services.
- ii. To adjust demand and supply by price mechanism.
- iii. To improve the quality of life of the society.
- iv. To introduce new modes of life.
- v. To develop product by enhancing market segment.

4. What is meant by Perfect Market?

A market is said to be a perfect market, if it satisfies the following conditions:

- i. Large number of buyers and sellers are there.
 - ii. Prices should be uniform throughout the market.
 - iii. Buyers and sellers have a perfect knowledge of market.
 - iv. Goods can be moved from one place to another without restrictions.
 - v. The goods are identical or homogenous.
- It should be remembered that such types of markets are rarely found.

5. What is Imperfect Market? A market is said to be imperfect when

- i. Products are similar but not identical.
- ii. Prices are not uniform.
- iii. There is lack of communication.
- iv. There are restrictions on the movement of goods.

6. What is meant by Wholesale Market? In wholesale market goods are supplied in bulk quantity to dealers/ retailers. The goods and services are not sold to customers directly.

7. What is meant by Retail Market?

In retail market the goods are purchased from producer or

wholesales and sold to customers in small quantities by retailers.

8. What are the Functions of Marketer?

- i. Gathering and Analysing market information
- ii. Market planning
- iii. Product Designing and development
- iv. Standardisation and Grading
- v. Packaging and Labelling
- vi. Branding
- vii. Customer Support Services
- viii. Pricing of Products
- ix. Promotion and Selling
- x. Physical Distribution
- xi. Transportation
- xii. Storage and Warehousing

UNIT TEST QUESTIONS

I. Choose the Correct Answers:

1. One who promotes (or) Exchange of goods or services for money is called as

- .
- a) Seller b) Marketer
 - c) Customer d) Manager

2. The marketer initially wants to know in the marketing is .

- a) Qualification of the customer
- b) Quality of the product
- c) Background of the customers
- d) Needs of the customers

3. The Spot market is classified on the basis of .

- a) Commodity b) Transaction
- c) Regulation d) Time

4. Which one of the market deals in the purchase and sale of shares and debentures?

- a) Stock Exchange Market
- b) Manufactured Goods Market
- c) Local Market
- d) Family Market

5. Stock Exchange Market is also called

-
- a) Spot Market b) Local Market
 - c) Security Market d) National Market

Answers:

1 b 2 d 3 b 4 a 5 c

II. Very Short Answer Questions:

1. What is Market?
2. Define Marketer.
3. What is mean by Regulated Market?
4. What is meant by Spot Market?
5. What is meant by Commodity Market?

II. Short Answer Questions:

1. What can be marketed in the Market? (any 3)
2. Mention any three Role of Marketer?
3. Explain the types of market on the basis of time.

III. Long Answer Questions:

1. How the market can be classified? (any 5)
2. How the market can be classified on the basis of Economics?

UNIT V ELEMENTS OF MARKETING

CHAPTER 14 MARKETING AND MARKETING MIX

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CHAPTER SYNOPSIS

14.01 Introduction

14.02 Evolution of Marketing

14.03. Marketing Concepts

14.04. Definition of Marketing

14.05. Objectives of Marketing

14.06. Importance of Marketing

14.07. Functions of Marketing

14.08. Meaning and Definition of Marketing

Mix

14.09. Elements of Marketing Mix

14.10. Marketing Mix Matrix

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Important Points

Marketing is one of the business functions that all activities that take place in relation to markets for actualise potential exchanges for the purpose of satisfying human needs and wants.

I. Choose the Correct Answers:

1. The initial stage of Marketing system is _____

- Monopoly system
- Exchange to Money
- Barter system
- Self producing

2. Who is supreme in the Market?

- Customer
- Seller
- Wholesaler
- Retailer

3. In the following variables which one is not

the variable of marketing mix?

- Place Variable
- Product Variable
- Program Variable
- Price Variable

4. Marketing mix means a marketing program that is offered by a firm to its target _____ to earn profits through satisfaction of their wants.

- Wholesaler
- Retailer
- Consumer
- Seller

5. Which one is the example of Intangible product?

- Education
- Mobiles
- Garments
- Vehicles

Answers:

1 c 2 a 3 c 4 c 5 a

II. Very Short Answer Questions:

1. What is Marketing?

Marketing is one of the business functions that all activities that take place in relation to markets for actualise potential exchanges for the purpose of satisfying human needs and wants. "Marketing is what a marketer does,"

2. Define Marketing Mix.

Definition of Marketing Mix

"Marketing mix is a pack of four sets of variables namely product variable, price variable, promotion variable, and place variable".

Mr. Jerome McCarthy

3. What is meant by Grading?

Grading:

Grading means classification of standardized products in to certain well defined classes.

III. Short Answer Questions:

1. What are the objectives of marketing?

The following are the objectives of marketing:

- i. Intelligent and capable application of modern marketing policies.
- ii. To develop the marketing field.
- iii. To develop guiding policies and their implementation for a good result.
- iv. To suggest solutions by studying the problems relating to marketing.
- v. To find sources for further information concerning the market problems.

2. What are the concept of marketing?

What I can sell?

MAKE WHAT YOU CAN SELL, BUT DO NOT TRY TO SELL WHAT YOU CAN MAKE.

Shall I first create products?

NO, FIRST CREATE A CUSTOMER, THEN CREATE PRODUCTS.

Shall I love my products?

NO, LOVE YOUR CUSTOMERS AND NOT THE PRODUCTS.

Who is supreme in markets?

CUSTOMER IS SUPREME OR KING.

Who will shape my decisions?

CUSTOMER'S PREFERENCES SHAPE YOUR DECISIONS.

3. What do you mean by marketing mix? Write any two elements.

marketing mix means

a marketing programme that is offered by a firm to its target consumers to earn profits through satisfaction of their wants. Such a marketing programme is a mixture of four ingredients, namely Product mix, Price mix, Place (Distribution)mix and Promotion mix.

i. Product

Product is the main element of marketing.

Without a product, there can be no marketing.

ii. Price

Price is the value of a product expressed in monetary terms. It is the amount charged for the product.

iii. Place (Physical Distribution)

An excellent quality product, with a competitive price structure, backed up by efficient promotional activities, will be a waste if it is not moved from the place of production to the place of consumption at an appropriate time. The fourth element of product mix, namely place or physical distribution facilitates the movement of products from the place of manufacture to the place of consumption at the right time.

iv. Promotion

An excellent product with competitive price cannot achieve a desired success and acceptance in market, unless and until its special features and benefits are conveyed effectively to the potential consumers.

IV. Long Answer Questions:

1. Discuss about the Evolution of marketing. (any 5)

Evolution of Marketing

i. Barter System: The goods are exchanged against goods, without any other medium of exchange, like money.

ii. Production Orientation: This was a stage where producers, instead of being concerned with the consumer preferences, concentrated on the mass production of goods for the purpose of profit. They cared very little about the customers.

iii. Sales Orientation: The stage witnessed major changes in all the spheres of economic life. The selling became the dominant factor, without any efforts for the satisfaction of the consumer needs.

iv. Marketing Orientation: Customers' importance was realised but only as a means of disposing of goods produced.

Competition became more stiff. Aggressive advertising, personal selling, large scale sales promotion etc. are used as tools to boost sales.

v. Consumer Orientation: Under this stage only such products are brought forward to the markets which are capable of satisfying the tastes, preferences and expectations of the consumers-consumer satisfaction.

vi. Management Orientation: The marketing function assumes a managerial role to co-ordinate all interactions of business activities with the objective of planning, promoting and distributing want-satisfying products and services to the present and potential customers.

2. Narrate the Elements of Marketing mix.

Elements of Marketing of Mix

Let us discuss these 4 elements of marketing mix in detail.

i. Product

Product is the main element of marketing. Without a product, there can be no marketing.

ii. Price

Price is the value of a product expressed in monetary terms. It is the amount charged for the product.

iii. Place (Physical Distribution)

An excellent quality product, with a competitive price structure, backed up by efficient promotional activities, will be a waste if it is not moved from the place of production to the place of consumption at an appropriate time. The fourth element of product mix, namely place or physical distribution facilitates the movement of products from the place of manufacture to the place of consumption at the right time.

iv. Promotion

An excellent product with competitive price cannot achieve a desired success and

acceptance in market, unless and until its special features and benefits are conveyed effectively to the potential consumer

ADDITIONAL QUESTIONS

1. Define Marketing.

“Marketing is concerned with the people and the activities involved in the flow of goods and services from the producer to the consumer”.

–American Marketing Association.

2. What are the Importance of Marketing?

a) To the Society

- i. Marketing is a connecting link between the consumer and the producer.
- ii. Marketing helps in increasing the living standard of people.
- iii. Marketing helps to increase the nation's income.
- iv. Marketing process increases employment opportunities.
- v. Marketing creates modern cultivators.
- vi. Marketing removes the imbalances of supply by transferring the surplus to deficit areas, through better transport facilities.
- vii. Marketing helps to maintain economic stability and rapid development in underdeveloped or developing countries.
- viii. Marketing includes all activities in the creation of utilities-form, place, time and possession.
- ix. A reduction in the cost of marketing is a direct benefit to society.
- x. Marketing adds value of goods by changing their ownership and by changing their time and place of consumption.

b) To the Individual Firms

- i. Marketing generates revenue to firms.
- ii. Marketing section of a firm is the source of information to the top management for taking overall decisions on production.
- iii. Marketing and innovation are the two basic functions of all businesses. The

world is dynamic.

iv. Marketing facilitates the development of business and creates employment opportunities for people.

2. What are the Functions of Marketing?

Some of the most important functions of marketing are as follows:

The delivery of goods and services from producers to their ultimate consumers or users includes many different activities. These different activities are known as marketing functions. Different scholars have described different functions of marketing as under:

G.B. Giles described seven functions of marketing:

- i. Marketing research
- ii. Marketing planning
- iii. Product development
- iv. Advertisement and sales promotion
- v. Selling and distribution
- vi. After sale services
- vii. Public relations.

Another classification of marketing functions is given by professors Clark and Clark,

which is widely accepted by one and all. Functions

of marketing are classified into three types.

1. Functions of Exchange
2. Functions of Physical Supply
3. Facilitating Functions.

Functions of Exchange:

Exchange refers to transfer of goods and services for money's worth. This process can be

divided into:

- (a) Buying and assembling
- (b) selling

Functions of Physical Supply

There are two important functions under this classification:

- i. Transportation
- ii. Storage and ware housing.

i. Transportation:

Transport means carrying of goods,

materials and men from one place to another.

It plays an important role in the marketing. It creates place utility by moving goods from the place where they are available in plenty, to places where they are needed. Various types of transport are used for carrying goods like

- a. Land transport
- b. Water transport
- c. Air transport.

ii. Storage and Warehousing:

a. Storage

Storage is another function of marketing process and it involves the holding and preservation of goods from the time they are produced to the time they are consumed. Generally, there is a time gap between the production and consumption of goods. Therefore, there is need for storing so as to make the goods available to the consumers and when they are required.

b. Warehousing

Warehouses create time utility by storing the goods throughout the year and releasing them as and when they are needed. Several types of warehouses are used for storage of goods.

Facilitating Functions

There are the functions which help or facilitate in the transfer of goods and services from the producer to the consumer. They are not directly connected with the transfer of goods. Under this category the following functions are included.

i. Financing:

- a. Long-term finance
- b. Medium-term finance
- c. Short-term finance

ii. Risk Bearing:

**POLITICAL
RISK
BEARING
TIME RISK
PLACE RISK
RISK ARISING
FROM**

NATURAL
CALAMITIES

HUMAN RISKS COMPETION RISK

- a. Time risk
- b. Place risk
- c. Competition risk
- d. Risk of change in demand
- e. Risk arising from natural calamities
- f. Human risks
- g. Political risks

iii. Market Information:

According to Clark and Clark market information means “all the facts, estimates, opinions and other information used in marketing of goods”.

iv. Standardization:

Standardization means establishment of certain standards based on intrinsic qualities of a commodity. The quality may be determined on the basis of various factors like size, colors, taste, appearance etc.

v. Grading:

Grading means classification of standardized products in to certain well defined classes.

vi. Branding:

Branding means giving a name or symbol to a product in order to differentiate it from competitive products.

vii. Packing:

Packing means wrapping and crating of goods before distribution. Goods are packed in packages or containers in order to protect them against breakage, leakage, spoilage and damage of any kind.

viii. Pricing:

Pricing is perhaps the most important decision taken by a businessman. It is the decision upon which the success or failure of an enterprise depends to a large extent. Therefore, price must be determined only after taking all the relevant factors into consideration.

3. Write a short notes on Marketing Mix Matrix

The principle of the 4P Matrix is that marketing decisions usually fall into four controllable categories: product,

place, price and promotion. Carefully positioning the product in each category will generate a better response from the target market.

UNIT TEST QUESTIONS

I. Choose the Correct Answers:

1. The initial stage of Marketing system is _____

- a) Monopoly system
- b) Exchange to Money
- c) Barter system
- d) Self producing

2. Who is supreme in the Market?

- a) Customer b) Seller
- c) Wholesaler d) Retailer

3. In the following variables which one is not

the variable of marketing mix?

- a) Place Variable
- b) Product Variable
- c) Program Variable
- d) Price Variable

4. Marketing mix means a marketing program that is offered by a firm to its target _____ to earn profits through satisfaction of their wants.

- a) Wholesaler b) Retailer
- c) Consumer d) Seller

5. Which one is the example of Intangible product?

- a) Education b) Mobiles
- c) Garments d) Vehicles

Answers:

1 c 2 a 3 c 4 c 5 a

II. Very Short Answer Questions:

1. What is Marketing?
2. Define Marketing Mix.
3. What is meant by Grading?

III. Short Answer Questions:

1. What are the objectives of marketing?
2. What are the concept of marketing?
3. What do you mean by marketing mix?

Write

any two elements.

IV. Long Answer Questions:

1. Discuss about the Evolution of marketing.
(any 5)
2. Narrate the Elements of Marketing mix.

UNIT V ELEMENTS OF MARKETING

CHAPTER 15 RECENT TRENDS IN MARKETING

CHAPTER SYNOPSIS

15.01 Recent Trends in Marketing

15.02 E-Marketing

15.03 E-Tailing

15.04 Green Marketing

15.05 Social Marketing

15.06 Rural Marketing

15.07 Service Marketing

15.08 Commodity Exchanges

15.09 Niche Marketing

15.10 Viral Marketing

15.11 Ambush Marketing

15.12 Guerrilla Marketing

15.13 Multilevel Marketing

15.14 Referral Marketing

15.15 Content Marketing

UNIT

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Important Points

Electronic Commerce (E-Commerce)

It is well known that business is a branch of commerce.

E-Commerce Vs E-Business

E-commerce simply refers to the buying and selling of products and services through online but E-business goes a way beyond the simple buying and selling, of goods and service and much wider range of business processes, such as supply chain management, electronic order processing and customer relationship management.

E-Marketing

Electronic Marketing or E-Marketing is the process of marketing of products and services over internet and telecommunication networks.

E-Tailing

E-tailing or electronic retailing refers to selling of goods and services through a shopping website (internet) or through virtual store to the ultimate consumer.

Green Marketing

Green marketing implies marketing environmentally friendly products. Green marketing involves developing and promoting products and services which satisfy customers' wants and needs for quality, performance, affordable pricing and convenience – all without causing a detrimental impact on the environment.

I. Choose the Correct Answers:

1. Selling goods/ services through internet is

- a. Green marketing b. E- business
c. Social marketing d. Meta marketing

2. Which is gateway to internet?

- a. Portal b. CPU
c. Modem d. Webnaire

3. Social marketing deals with:

- a. Society b. Social Class
c. Social change d. Social evil

4. Effective use of Social media marketing

increase conversion rates of _____.

- a. Customer to buyers
b. Retailer to customers
c. One buyer to another buyer's
d. Direct contact of marketer

5. Pure play retailers are called

- a. Market creators
b. Transaction brokers
c. Merchants
d. Agents

Answers:

1 b 2 c 3 b 4 a 5 b

II. Very Short Answer Questions:

1. What is service marketing?

Service Marketing

A service is any activity or benefit that one party can offer to another which is essentially intangible and which does not result in the ownership of anything like business and professional services insurance, legal service, medical service etc.

2. What is green marketing?

Green marketing implies marketing environmentally friendly products. Green marketing involves developing and promoting products and services which satisfy customers' wants and needs for quality, performance, affordable pricing and convenience – all without causing a detrimental impact on the environment.

3. What is Ambush marketing?

Ambush Marketing

Ambush marketing technique is a new technique whereby a particular advertiser seeks to connect his product to the event in the mind of potential customer without paying sponsoring expenses to the event. In other words it is a method of building brands in covert ways.

4. What is Social marketing?

Social Marketing

Social marketing is a new marketing tool. It is the systematic application of marketing philosophy and techniques to achieve specific behavioural goals which ensure social good. For example, this may include asking people not to smoke in public areas, asking them to wear seat belts or persuading them to follow speed limits.

III. Short Answer Questions:

1. What are the advantages of E-Marketing?

Advantages of E-Marketing

1. Any Time market: E - Marketing provides 24 hours and 7 days "24/7" service to its users. So consumer can shop or order the product anytime from anywhere.
2. Direct contact of end consumer by the manufacturers cuts down the substantially intermediation cost. Thus products bought through e-marketing become cheaper.
3. Customer can buy whatever they want/ need just by browsing the various sites.

2. Discuss the objectives E-Marketing. (Any 3)

Objectives of E-Marketing

The following are the objectives of E-Marketing

1. Expansion of market share
2. Reduction of distribution and promotional expenses.
3. Achieving higher brand awareness.
4. Strengthening database.

3. Explain in detail about Niche marketing.

Niche Marketing

Niche marketing denotes a strategy of directing all marketing efforts towards one well defined segment of the population. Actually there is no market in niche market. It is found by company, by identifying the need of customers which are not served or under served by the competitors. The company which identified niche market develops solution to satisfy the needs of niche market. A niche market does not mean a small market, but it involves specific target audience with a specialized offering. It

aimed at being a big fish in a small pond instead of being a small fish in a big pond. For example, there are various cinema halls across India, but there are few which have recliner seats to offer. Not everybody wants to watch a movie by paying 5x-6x times the cost of a normal ticket. The sports channels like STAR Sports, ESPN, STAR Cricket and Fox Sports target the niche market of sports enthusiasts.

IV. Long Answer Questions:

1. Explain in detail how traditional marketing differ from E-marketing.

E-Marketing	Traditional Marketing
It is very economical and faster way to promote the products.	It is very expensive and takes more time to promote product.
It is quiet easier for promoting product globally in the short time.	It is very expensive and time consuming to promote product/ service under traditional marketing.
E-Business enterprises can expand their operation with minimum manpower.	It needs more man power.
In this marketing product can be sold or bought 24 x 7, round the year with minimum manpower	That is not possible in traditional marketing.

2. Discuss any two new methods of marketing.

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i)Electronic Commerce (E-Commerce)

It is well known that business is a branch of commerce. It looks after the distribution aspect of the business and also is concerned with the exchange of goods and services. If all activities, which directly or indirectly facilitate that exchange of goods done through internet and other online environments is known as Electronic Commerce (EC) or simply as E-Commerce.

Green Marketing

Green marketing implies marketing environmentally friendly products. Green

marketing involves developing and promoting products and services which satisfy customers' wants and needs for quality, performance, affordable pricing and convenience – all without causing a detrimental impact on the environment.

It refers to holistic marketing concept with growing awareness about the implications of global warming, non-biodegradable solid waste, harmful impact of pollutants etc. Green marketing is also known as environmental marketing, ecological marketing eco-friendly marketing and sustainable marketing. Consumers are beginning to recognize that competition in the market place should not be among companies harming the environment but among those making to save it.

ADDITIONAL QUESTIONS

1. Write a short notes on E-Business

The regular production or purchase and sale of goods undertaken with an objective of earning profit and acquiring wealth through the satisfaction of human wants is known as business. Electronic business (e-business) via, web, internet, intranets, extranets or some combination thereof to conduct business. In simple words, if all the business transaction carried out through internet and other online tools is called E-business

2. Write short notes on E-Commerce Vs E-Business

E-commerce simply refers to the buying and selling of products and services through online but E-business goes a way beyond the simple buying and selling, of goods and service and much wider range of business processes, such as supply chain management, electronic order processing and customer relationship management. E-Commerce and E-Business is used

interchangeably in its broader meaning just as commerce and business.

3.E-Marketing - Definition

According to Judy Strauss, “E-marketing refers to application of broad range of information technology for creating more customer value through more effective segmentation, targeting, differentiation and positioning strategies, planning more efficiently and executing the conception, distribution, promotion and pricing of goods, services and ideas; and creating exchanges that satisfy individual consumer and organization's consumer objectives”. “E-Marketing is achieving marketing objectives through use of digital technologies like Internet, word wide web, email, wireless media, and management of digital customer data and electronic customer management systems (E-CRM)”

3. What is Service Marketing?

A service is any activity or benefit that one party can offer to another which is essentially intangible and which does not result in the ownership of anything like business and professional services insurance, legal service, medical service etc.

Service marketing is a specialized branch of marketing. Service marketing denotes the processing of selling service goods like telecommunication, banking, insurance, car rentals, healthcare, tourism, professional services, repairs etc., The service products are mostly intangible, inseparable from service provider and service variable depending on the mood swing of service providers perishable in quick time, unstandardisable and deliverable directly from service provider without inter-mediate. The unique characteristics of services marketing warrant different strategies compared with the marketing of physical goods.

4. What is Guerrilla Marketing

The concept of Guerrilla Marketing was invented as an unconventional system of promotions that relies on time, energy and imagination rather than a big marketing budget. Guerrilla marketing represents an advertisement strategy to promote products/ services on streets or other public places with monkey like shopping malls, parks beach etc., Consumers/ customers are taken by surprise to make a big impression about the brand which in turn creates buzz about the brand on shirts it create a memorable experience in the mind of target audience which triggers good responses to sales. It is suited to small companies which cannot set apart big advertisement budget.

UNIT TEST QUESTIONS

I. Choose the Correct Answers:

1. Selling goods/ services through internet is

- a. Green marketing b. E- business
- c. Social marketing d. Meta marketing

2. Which is gateway to internet?

- a. Portal b. CPU
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5. Pure play retailers are called

- a. Market creators
- b. Transaction brokers
- c. Merchants
- d. Agents

Answers:

1 b 2 c 3 b 4 a 5 b

II. Very Short Answer Questions:

1. What is service marketing?
2. What is green marketing?
3. What is Ambush marketing?
4. What is Social marketing?

III. Short Answer Questions:

1. What are the advantages of E-Marketing?
2. Discuss the objectives E-Marketing. (Any 3)
3. Explain in detail about Niche marketing.

IV. Long Answer Questions:

1. Explain in detail how traditional marketing differ from E-marketing.
2. Discuss any two new methods of marketing.

UNIT VI

CONSUMER PROTECTION

CHAPTER 16

CONSUMERISM

Chapter Synopsis

CHAPTER SYNOPSIS

- 16.01 Consumer
- 16.02 Consumer Exploitation
- 16.03 Meaning and definition of Consumerism
- 16.04 Importance of Consumerism
- 16.05 Origin, Evolution and Growth of Consumerism
- 16.06 Consumer Protection
- 16.07 Need for Consumer Protection
- 16.08 Consumer Legislation
- 16.09 The Consumer Protection Act, 1986
- 16.10 Caveat Emptor
- 16.11 Caveat Venditor

Consumer

A consumer is one who consumes goods manufactured and sold by others or created (air, water, natural resources) by nature and sold by others.

The Indian Consumer Protection Act, 1986

I. Choose the Correct Answers:

1. The term 'consumerism' came into existence in the year _____.
- a) 1960 b) 1957
- c) 1954 d) 1958
2. Who is the father of Consumer Movement?
- a) Mahatma Gandhi
- b) Mr. Jhon F. Kennedy
- c) Ralph Nader
- d) Jawaharlal Nehru

3. Sale of Goods Act was passed in the year?

- a) 1962 b) 1972
- c) 1930 d) 1985

4. The Consumer Protection Act came into force with effect from

- a) 1.1.1986 b) 1.4.1986
- c) 15.4.1987 d) 15.4.1990

5. ____ of every year is declared as a Consumer Protection Day to educate the public about their rights and responsibilities.

- a) August 15 b) April 15
- c) March 15 d) September 15

Answers:

1 a 2 c 3 c 4 c 5 c

II. Very Short Answer Questions:

1. Who is a consumer?

consumer is one who consumes goods manufactured and sold by others or created (air, water, natural resources) by nature and sold by others.

2. Give two examples of adulteration.

Fennel Seeds
Cumin Seeds

3. What is Caveat Emptor?

'Caveat emptor' is a Latin term that means "let the buyer beware." Similar to the phrase "sold as is," this term means that the buyer assumes the risk that a product fails to meet expectations or have defects. In other words, the principle of caveat emptor serves as a warning to the buyers that they have no recourse with the seller if the product does not meet their expectations.

4. What is Caveat Venditor?

Caveat Venditor

Caveat emptor was the rule for most purchases and land sales prior to the Industrial Revolution, although sellers assume much more responsibility for the integrity of their goods in the present day.

5. Write a short notes on Consumer Protection Act, 1986.

Nowadays, the consumers' grievances and dissatisfactions grow largely. Consumers themselves did not have any effective mechanism or institutional arrangement for the speedy redressal of their grievances.

III. Short Answer Questions:

1. **What are the important legislations related to consumerism in India? (any 3)**

The Indian Contract Act, 1872 was passed to bind the people on the promise made in the contract.

ii. The Sale of Goods Act, 1930 This Act protects consumers against sellers not complying with expressed and implied warranties in the sale contract.

iii. The Essential Commodities Act, 1955 protects the consumers against artificial shortages created by the sellers by hoarding the goods and thus selling the goods at high prices in black market in respect of essential commodities.

iv. The Agricultural Products Grading and Marketing Act, 1937 ensures the supply of agricultural commodities at high quality.

v. The Prevention of Food Adulteration Act, 1954 checks the adulteration of food articles and ensures purity of goods supplied and thus protects the health of consumers.

2. **What is meant by artificial scarcity?**

3. **Write the importance of consumerism. (any 3)**

Importance of Consumerism

Importance of consumerism lies in

1. Awakening and uniting consumers.
2. Discouraging unfair trade practices.
3. Protecting against exploitation.
4. Awakening the government.
5. Effective implementation of consumer protection laws.

IV. Long Answer Questions:

1. How consumers are exploited? (any 5)
2. Explain the role of business in consumer protection. (any 5)

Role of Business

Business enterprises should do the following towards protecting consumers.

1. Avoidance of Price Hike

Business enterprises should desist from hiking the price in the context of acute shortage of goods /articles.

2. Avoidance of Hoarding

Business enterprises should allow the business to flow normally. It should not indulge in hoarding and black marketing to earn maximum possible profit in the short term at the cost of consumers.

3. Guarantees for Good Quality

Business enterprises should not give false warranty for the products. It should ensure supply of good quality.

4. Product Information

Business enterprises should disclose correct, complete and accurate information about the product viz. size, quality, quantity, substances, use, side effects, precautions, weight, exchange, mode of application etc.

^{12th}

5. Truth in advertising

Business enterprises should not convey false, untrue, bogus information relating to the product through the advertisements in media and thus mislead the consumers.

6. Protection from the Hazard

Business enterprises should not market the product which is potentially hazardous and harmful. It should test the safety of the product before they are marketed. As regards food items, business enterprises should withdraw spoiled and contaminated food items.

7. Money Refund Guarantee

Where the product becomes defective, business enterprises should replace it with new one or refund the purchase price. If the product causes injury or harm to consumers, it should reimburse the expenditures done by the consumers concerned.

3. What are the objectives of Consumer Protection Act, 1986? (any 5)

Objectives of the Consumer Protection Act 1986

Following are the objectives of Consumer Protection act 1986

- i. Protection of consumers against marketing of goods which are hazardous and dangerous to life and property of consumers.
- ii. Providing correct and complete information about quality, quantity, purity, price and standard of goods purchased by consumers.
- iii. Protecting consumers from unfair trade practices of traders.
- iv. Empowering consumers to seek redressal against exploitation
- v. Educating the consumer of their rights and duties
- vi. Ensuring better standard of living for consumers by providing them with quality products at fair price.
- vii. Putting in place right mechanism like councils and other authorities to enable the consumers to enforce their rights.

UNIT TEST QUESTIONS

I. Choose the Correct Answers:

1. The term 'consumerism' came into existence in the year _____.

- a) 1960 b) 1957
c) 1954 d) 1958

2. Who is the father of Consumer Movement?

- a) Mahatma Gandhi
b) Mr. Jhon F. Kennedy
c) Ralph Nader
d) Jawaharlal Nehru

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5. _____ of every year is declared as a Consumer Protection Day to educate the public about their rights and responsibilities.

- a) August 15 b) April 15
c) March 15 d) September 15

Answers:

1 a 2 c 3 c 4 c 5 c

II. Very Short Answer Questions:

1. Who is a consumer?
2. Give two examples of adulteration.
3. What is Caveat Emptor?
4. What is Caveat Venditor?
5. Write a short notes on Consumer Protection Act, 1986.

III. Short Answer Questions:

1. What are the important legislations related to consumerism in India? (any 3)
2. What is meant by artificial scarcity?
3. Write the importance of consumerism. (any 3)

IV. Long Answer Questions:

1. How consumers are exploited? (any 5)
2. Explain the role of business in consumer protection. (any 5)
3. What are the objectives of Consumer Protection Act, 1986? (any 5)

UNIT VI CONSUMER PROTECTION

CHAPTER 17 RIGHTS, DUTIES & RESPONSIBILITIES OF CONSUMERS

CHAPTER SYNOPSIS

17.01 Rights of Consumer

17.02 Duties of Consumer

17.03 Responsibilities of Consumer

Consumer Right is interpreted as “the right to have information about the quality, potency, quantity, purity, price, and standard of goods or services”.

I. Choose the Correct Answers:

1. The final aim of modern marketing is

- _____
- Maximum profit
 - Minimum profit
 - Consumer satisfaction
 - Service to the society

2. _____ is the king of modern marketing.

- Consumer
- Wholesaler
- Producer
- Retailer

3. As the consumer is having the rights, they

are also having _____.

- Measures
- Promotion
- Responsibilities
- Duties

4. Which of the following is not a consumer

right summed up by John F. Kennedy

- Right to safety
- Right to choose
- Right to consume
- Right to be informed

5. It is the responsibility of a consumer that

he must obtain _____ as a proof for the purchase of goods.

- Cash receipt
- Warranty card
- Invoice
- All of these

Answers:

1 c 2 a 3 c 4 c 5 a

II. Very Short Answer Questions:

1. Write short notes on: “Right to be informed.”

Right to be Informed

Consumers should be given all the relevant facts about the product so that they can take intelligent decisions on purchasing the product. Advertising and labelling on the package should provide objective information to buyers.

2. What are the rights of consumer according to John F. Kennedy?

John F. Kennedy’s view on Consumer Rights

The former president of U.S.A Mr. John F. Kennedy defined the basic consumer rights as “The Right of Safety, the Right to be informed, the Right to choose and the Right to be heard.”

3. Which is the supreme objective of business?

Satisfaction of consumers wants and needs is stated to be the prime and supreme objective of a business.

III. Short Answer Questions:

1. What do you understand by “Right to redressal”.

Right to Seek Redressal

This step is one step ahead of the previous right. The complaints and protests are not just to be heard: but the aggrieved party is to be granted compensation within a reasonable time period. There should be prompt settlement of complaints and claims lodged by the aggrieved customers. This will boost consumer confidence and help render justice to buyers. There should be fair and just settlement of deserving claims in a definite timeframe.

2. What do you understand about “Right to protection of health and safety”.

IV. Long Answer Questions:

1. Explain the duties of consumers. (any 5)

i) Buying Quality Products at Reasonable Price

It is the responsibility of a consumer to purchase a product after gaining a thorough knowledge of its price, quality and other terms and conditions. The consumer should enquire about the price from certain shops and if possible from government stores to get an idea of its price. The consumer has to have the knowledge about the quality from his own experiences or from the experiences of other persons who used the product or by browsing the website. Hence it is the duty of the consumer to buy scrupulously.

ii) Ensure the Weights and Measurement before Making Purchases

The sellers often cheat consumer by using unfair weights and measures. The consumer should ensure that he/she is getting the product of exact weight and measure. Consumer should check the weights and balance of the product. Consumer should not buy a product which has been weighed along with its packing. Therefore the consumer should remain vigilant when the seller is naturally measuring or weighing the product.

iii) Reading the Label Carefully

It is the duty of the consumer to thoroughly read the label of the product. It should have correct, complete and true information about the product.

iv) Beware of False and Attractive Advertisements

Often the products are not as attractive as shown in the advertisement by the sellers. Hence, it is the prime duty of

consumer not to get misled by such fraudulent advertisements.

v) Misleading Schemes

Mostly advertisements are used to be very attractive and appealing to the senses. They may be occasionally false and misleading. The consumer is supposed to be careful with the attractive advertisements and avoid such misleading and false advertisements. These days almost every product in the market is offered for sale with a gift, discount, or a free product to bait the consumer to buy. For example, a free comb with soap, a discount off on the price of the soap or one free soap on buying one, and the like. Often a consumer is allured by such offers and buys such a product even when it is not desperately in order, to avail them of free offer.

vi) Ensuring the Receipt of Cash Bill

It is a legitimate duty of consumers to collect cash receipt and warranty card supplied along with bills. This will help them in seeking redressal for their grievances. Unscrupulous sellers offer to reduce the final price of goods if they sell without bill. Often consumers get allured by this trap. In this case, if the goods bought without bill go out of order or turn defective, consumers cannot approach the consumer court without proof of purchase. Hence it is the duty of the consumer to demand and collect the cash receipt, and warranty card.

vii) Buying from Reputed Shops

It is advisable for the consumer to make purchase from the reputed shops or government shops like super bazaar, cooperative stores, and the like. The consumer by purchasing from such shops can escape from the malpractice of the manufacturers and shopkeepers or vendors.

2. What are the responsibilities of consumers? (any 5)

The responsibilities of consumer are listed below;

1. The consumer must pay the price of the goods according to the terms and conditions of the sales contract.
2. The consumer has got a responsibility to apply to the seller for the delivery of the goods. He/she has to take delivery of the goods in time.
3. The consumer has to bear any loss, which may arise to the seller when the consumer delays taking delivery of the goods as per the terms of contract.
4. The consumer is bound to pay any interest and special damages caused to the seller in case if there is delay in the payment.
5. The consumer has to assiduously follow and keenly observe the instructions and precautions while using the products.
6. The consumer has the responsibility to express unambiguously to the seller of his requirements and expectations from the product.
7. The consumer must seek to collect complete information about the quality, quantity, price etc of the product before purchasing it.

UNIT TEST QUESTIONS

I. Choose the Correct Answers:

1. The final aim of modern marketing is

- _____
- a. Maximum profit
 - b. Minimum profit
 - c. Consumer satisfaction
 - d. Service to the society

2. _____ is the king of modern marketing.

- a. Consumer b. Wholesaler
- c. Producer d. Reatailer

3. As the consumer is having the rights, they

are also having _____.

- a. Measures b. Promotion

c. Responsibilities d. Duties

4. Which of the following is not a consumer

right summed up by John F. Kennedy

- a. Right to safety
- b. Right to choose
- c. Right to consume
- d. Right to be informed

5. It is the responsibility of a consumer that

he must obtain _____ as a proof for the purchase of goods.

- a. Cash receipt b. Warranty card
- c. Invoice d. All of these

II. Very Short Answer Questions:

1. Write short notes on: "Right to be informed."
2. What are the rights of consumer according to John F. Kennedy?
3. Which is the supreme objective of business?

III. Short Answer Questions:

1. What do you understand by "Right to redressal".
2. What do you understand about "Right to protection of health and safety".

IV. Long Answer Questions:

1. Explain the duties of consumers. (any 5)
2. What are the responsibilities of consumers? (any 5)

UNIT VI CONSUMER PROTECTION

CHAPTER 18 GRIEVANCE REDRESSAL MECHANISM

CHAPTER SYNOPSIS

18.01 Grievance and Need for Redressal Mechanism

18.02 Consumer Councils

18.03 Three Tier Courts or Quasi Judiciary

18.04 District Forum

18-05 State Consumer Disputes Redressal

Commission or State Commission

18-06 National Consumer Disputes Redressal

Commission (NCDRC) or National Commission

18.07 Voluntary Organizations for Consumer Awareness

Important Points

Mahatma Gandhi said about the Customer “A customer is the most important visitor on our premises. He is not dependent on us. We are dependent on him. He is not an interruption of our work. He is the purpose of it. He is not an outsider of our business. He is part of it. We are not doing him a favour by serving him. He is doing us a favour by giving us the opportunity to do so.”

I. Choose the Correct Answers:

1. The Chairman of the National Consumer Disputes Redressal Council is _____

a) Serving or Retired Judge of the Supreme Court of India.

b) Prime Minister

c) President of India

d) None of the above

2. The Chairman of the State Consumer Protection Council is _____

a) Judge of a High Court

b) Chief Minister

c) Finance Minister

d) None of the above

3. The Chairman of the District Forum is _____

a) District Judge

b) High Court Judge

c) Supreme Court Judge

d) None of the above

4. The State Commission can entertain complaints where the value of the goods or services and the compensation, if any claimed exceed

a) `2 lakhs but does not exceed `5 lakhs

b) `20 lakhs but does not exceed `1 crore

c) `3 lakhs but does not exceed `5 lakhs

d) `4 lakhs but does not exceed `20 lakhs

5. The International Organisation of Consumers Unions (IOCU) was first established in

a) 1960 b) 1965

c) 1967 d) 1987

Answers:

1 a 2 a 3 a 4 b 5 a

II. Very Short Answer Questions:

1. What do you mean by Redressal Mechanism?

However they are exploited by the sellers in many ways because, they are not aware of the products and services available. Government has also taken necessary steps to save the Consumers. What do you know about National Commission?

India is a quasi-judicial commission in India which was set up in 1988 under the Consumer Protection Act of 1986.

Its head office is in New Delhi. The Commission is headed by a serving or retired judge of the Supreme Court of India.

The National Consumer Disputes Redressal Commission (NCDRC) is also called as National Commission.

2. What do you know about National Commission?

The National Consumer Disputes Redressal Commission (NCDRC), India is a quasi-judicial commission in India which was set up in 1988 under the Consumer Protection Act of 1986. Its head office is in New Delhi. The Commission is headed by a serving or retired judge of the Supreme Court of India. The National Consumer Disputes Redressal Commission (NCDRC) is also called as National Commission.

3. State the meaning of the term State Commission.

The State Commission is to be appointed by the State Government in consultation with the Centre. It has the same function as state level. The state consumer protection council is also known as "Consumer Disputes Redressal Commission". Both goods and services are included in the purview of the council. A consumer has to be protected against defects, deficiencies and unfair and restrictive trade practices. The State Consumer Protection Council is also called State Commission.

4. What is an term District Forum?

As per the Consumer Protection Act of 1986 and Section 9 thereof the establishment of a District Forum by the State Government in each district is necessary today to protect the interest of aggrieved consumers in that district. The

State Government can establish more than one District Forum in a district if it deems fit to do so.

III. Short Answer Questions:

1. Who are the members of the National Commission?

Members

The National Consumer Disputes Redressal Commission has been constituted by a Notification.

1. The National Commission should have five members.
 2. One should be from judiciary.
 3. Four other members of ability, knowledge and experience from any other fields.
 4. It should include a woman.
2. Who are the members of the State Commission?

Members

Each State Commission shall consist of the following members.

1. A person who is or has been a Judge of a High Court appointed by the State Government as its President.
2. Two other members who shall be persons of ability, integrity and standing and have adequate knowledge or experience of or have shown capacity in dealing with problems relating to economics, law, commerce, industry, public affairs or administration of them, one shall be a woman.

3. Write a note on the Voluntary Consumer Organisation.

Consumer is a broad label for any individuals or households that use goods and services produced within the economy. Voluntary consumer organisations refer to the organisation formed voluntarily by the consumers to protect their rights and interests.

IV. Long Answer Questions:

1. Explain the overall performance of National Commission.

National Consumer Disputes Redressal Commission (ncdrc) or National Commission

The National Consumer Disputes Redressal Commission (NCDRC), India is a quasi-judicial commission in India which was set up in 1988 under the Consumer Protection Act of 1986. Its head office is in New Delhi. The Commission is headed by a serving or retired judge of the Supreme Court of India. The National Consumer Disputes Redressal Commission (NCDRC) is also called as National Commission.

Members

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2. One should be from judiciary.
3. Four other members of ability, knowledge and experience from any other fields.
4. It should include a woman.

Jurisdiction

Section 21 of The Consumer Protection Act, 1986 describes, the National Commission shall have jurisdiction

1. To entertain a complaint valued more than 1 Crore.
2. Revised the orders of State Commissions.
3. To call for the records and pass appropriate orders from the State Commission and District Forum.

Powers

1. Adoption of uniform procedure in the hearing of the matters is followed in the National Commission
2. Prior service of copies of documents produced by one party to the opposite parties.

3. Speedy grant of copies of documents are issued by the National Commission.

4. Generally over-seeing the functioning of the State Commissions and the District Forums to ensure that the objects and purposes of the Consumer Protection Act are best served, without interfering with their quasi-judicial freedom.

Appellate Forum

Any consumer dispute which is pending before or has been decided by any State Commission where it appears to the National Commission that such State Commission has exercised a jurisdiction not vested in it by law, or has failed to exercise a jurisdiction so vested or has acted in the exercise of its jurisdiction illegally or with material irregularity. Section 23 of Consumer Protection Act, 1986, provides that any person aggrieved by an order of National Commission may prefer an Appeal against such order to Supreme Court of India within a period of 30 days.

2. Explain the overall performance of State Commission.

State Consumer Disputes Redressal Commission or State Commission

The State Commission is to be appointed by the State Government in consultation with the Centre. It has the same function as state level. The state consumer protection council is also known as "Consumer Disputes Redressal Commission". Both goods and services are included in the purview of the council. A consumer has to be protected against defects, deficiencies and unfair and restrictive trade practices. The State Consumer Protection Council is also called State Commission.

Members

Each State Commission shall consist of the following members.

1. A person who is or has been a Judge of a High Court appointed by the State Government as its President.
2. Two other members who shall be persons of ability, integrity and standing and have adequate knowledge or experience of or have shown capacity in dealing with problems relating to economics, law, commerce, industry, public affairs or administration of them, one shall be a woman.

Jurisdiction

The Jurisdiction of the State Commission is as follows.

1. The State Commission can entertain complaints within the territory of entire state and where the value of the goods or services and the compensation, if any claimed exceed Rs. 20 lakhs and below Rupees One Crore.
2. The State Commission also has the jurisdiction to entertain appeals against the orders of any District Forum within the State.

Powers

The following are the powers of the State Commission.

1. The State Commission also has the power to call for the records and pass appropriate orders in any consumer dispute which is pending before or has been decided by any District Forum within the State.
2. To produce before and allow to be examined by an officer of any of these agencies, such books of accounts, documents or commodities as may be required and to keep such books, documents, etc., under his custody for the purposes of the Act.
3. To furnish such information that may be required for the purposes of the Act to any officer so specified.

Appellate Forum

1. The State Commission's jurisdiction may be original, appellate or revision. The State Commission may reverse or confirm the orders passed by the District Forum.

2. Any person aggrieved by an order of the State Commission may prefer an appeal to the National Commission within 30 days from the date of such order.

UNIT TEST QUESTIONS

I. Choose the Correct Answers:

1. The Chairman of the National Consumer

Disputes Redressal Council is _____

- a) Serving or Retired Judge of the Supreme Court of India.

b) Prime Minister

c) President of India

d) None of the above

2. The Chairman of the State Consumer Protection Council is _____

a) Judge of a High Court

b) Chief Minister

c) Finance Minister

d) None of the above

3. The Chairman of the District Forum is _____

a) District Judge

b) High Court Judge

c) Supreme Court Judge

d) None of the above

4. The State Commission can entertain complaints where the value of the goods or services and the compensation, if any claimed exceed _____

a) `2 lakhs but does not exceed `5 lakhs

b) `20 lakhs but does not exceed `1 crore

c) `3 lakhs but does not exceed `5 lakhs

d) `4 lakhs but does not exceed `20 lakhs

5. The International Organisation of Consumers Unions (IOCU) was first established in _____

a) 1960 b) 1965

c) 1967 d) 1987

II. Very Short Answer Questions:

1. What do you mean by Redressal Mechanism?

2. What do you know about National Commission?
3. State the meaning of the term State Commission.
4. What is an term District Forum?

III. Short Answer Questions:

1. Who are the members of the National Commission?
2. Who are the members of the State Commission?
3. Write a note on the Voluntary Consumer Organisation.

IV. Long Answer Questions:

1. Explain the overall performance of National Commission.
2. Explain the overall performance of State Commission.

UNIT VI

BUSINESS ENVIRONMENT

CHAPTER 19 ENVIRONMENTAL FACTORS

CHAPTER SYNOPSIS

19.01 Meaning and Definition of Business Environment

19.02 Types of Business Environment

19.02.01 Internal Environment

19.02.02 External environment:

19.02.03 Micro Environment;

19.02.04 Macro Environment:

19.03 Future environment of business-VUCA

19.04 Corporate Governance

19.05 GST- Goods and Services Tax

Important Points

Meaning and Definition of Business Environment

According to Bayard O 'Wheeler Business environment is *"the total of all things external to firms and industries which affect their organisation and operations"*.

I. Choose the Correct Answers:

1. VUCA stands for ____, ____, ____, ____.

(a) Volatility, Uncertainty, Complexity and Ambiguity

(b) Value, Unavoidable, Company and Authority

(c) Volatility, Uncontrollable, Company and Auction

(d) All of the above

2. GST stands for

_____.

- (a) Goods and Social Tax
- (b) Goods and Service Tax
- (c) Goods and Sales Tax
- (d) Goods and Salary Tax

3. Factors within an organisation constitutes

_____ environment.

- (a) Internal Thinker
- (b) External Thinker
- (c) Fellow human beings
- (d) All of the above

4. Macro Environment of business is an

_____ factor.

- (a) Uncontrollable (b) Controllable
- (c) Manageable (d) Immanageable

5. The two major types of business environment

are _____ and _____.

- (a) Positive and Negative
- (b) Internal and External
- (c) Good and Bad
- (d) Allowable and Unallowable

Answers:

1 a 2 b 3 a 4 a 5 b

II. Very Short Answer Questions:

1. What is internal environment?

Internal environment refers to those factors within an organisation e.g Policies and programmes, organisational structure, employees, financial and physical resources. These factors can be changed or altered and hence are known as controllable factors.

2. Give the meaning of corporate governance.

Corporate Governance

Corporate governance is a set of rules and policies which governs a company. It provides a frame work for managing a company and achieving its objectives. It gives guidelines for internal control, performance measurement and corporate disclosure.

3. What is GST?

GST is the indirect tax levied on goods and services across the country. It is a **comprehensive**, multi-stage, destination based tax that is levied on every value addition.

4. Expand VUCA.

VUCA – volatility, uncertainty, complexity and ambiguity,

III. Short Answer Questions:

1. What are the political environment factors? (any 3)

Political stability is reflected by the following parameters like the election system, the law and order situation, the role and structure of Military and Police force, the declaration of President's rule, civil war etc

2) Political organisation refers to the ideology and philosophy of the political parties, the government, the role and degree of authority of bureaucracy, the level of political consciousness among citizens and the funding of political parties by business houses and the clout wielded by them.

3) The image of the leader and the country in the inter-national arena.

4) Legal framework of business and their degree of flexibility.

2 . Write about any three internal environmental factors of business.

The major internal factors affecting business decisions are

i Values system: The values of the founder/ owner of the business , percolates down to the entire organisation and has a profound effect on the organisation. The success of an organisation depends upon the sharing of value system by all members. External business associates like

suppliers and distributors consider the value system practised by an organisation with strong culture of ethical standards and values.

ii. Vision and objectives: The vision and objectives of a business guides its operations and strategic decisions. Example 'Amul the taste of India' Gujarat Co-operative Milk Marketing Federation GCMMF

Vision: Liberate our farmers from economic oppression and lead them to prosperity.

iii. Management structure and nature:

The structure of management/board and their style of functioning, the level of professionalism of management, the composition of the board are the various factors which affects the decision making. Since the board is the highest decision making authority, it's composition, degree of professionalism and style of operations plays a very critical role in the growth and development in an organisation.

iv. Internal power relations: This refers to the internal power relations that exist in an organisation. The relations among board members , between board members and the CEO and the level of support enjoyed by the board from its' stakeholders namely employees and shareholders are significant factors which affects decision making and its implementation in an organisation.

3. What do you know about Technological environment?

Technological environment – The development in the IT and telecommunications has created a global market. Technology is widely used in conducting market research for understanding the special needs of the customer. Digital and social media are used as a platform for advertising and promoting the products/services. Datamining and data analytics are used to know the customer better. Technology is used in managing inventory, storing goods

in warehouses, in distributing goods and in receiving payment. This dynamic environment also includes the following ;

- 1) the level of technology available within the country
- 2) rate of change in technology
- 3) technology adopted by competitors
- 4) technological obsolescence

IV. Long Answer Questions:

1. Discuss the role of macro environment of business. (any 5)

Economic environment: The business is an integral part of the economic system prevalent in a nation. The multiple variables in the macro environment system which has a bearing on a business include

1) The nature of economy based on the stage of development: The countries across the globe can be categorised on the basis of growth and per capita income as developed nations, developing nations and under developed nations. The USA, Japan, Germany, Canada and Australia developed economies generally have high degree of technological advancement, very strong and robust industrial base, and high standard of living. Many of these developed nations have successfully integrated the computer based technologies with their existing business. Developing nations like India, China, Brazil Mexico are middle income economies are characterised by low to moderate industrial growth, the inequality in the distribution of income, high population, a low standard of living and slow absorption of technology. Under developed nations are low income economies with a very low degree of technology adoption and a very poor standard of living.

2) The nature of economic system: The economic systems can be classified as Capitalistic, Socialistic and Mixed economy.

Capitalistic economy is a free enterprise

market where individual ownership of wealth is predominant. Socialistic economy is a state controlled with a lot of restrictions on private sector. Mixed economy is a combination of both state owned and private sector ownership.

3) The economic policies of a nation:

Monetary policy, fiscal policy, Exportimport policy, Industrial policy Trade policy, Foreign exchange policy etc are part of the economic environment.

4) **Economic indices:** The Economic indices like GDP, GNP national income, per-capita income, balance of payments, rate of savings and investments etc. form an important part of economic environment.

II. Socio-Cultural environment -

Business is a part of the society .Social environment refers to the sum total of factors of the society in which the business is located. Social and cultural environment of society affects the business. It is dynamic and includes the behaviour of individuals, the role and importance of family, customs, traditions, beliefs and values, religion and languages, the ethical values. The literacy level, and the social attitudes of the people of the society. The socio-cultural environment also includes the following;

- 1) The social institutions and groups
- 2) Family structure prevalent in the society
- 3) Role of marriage as an institution
- 4) Caste system in the society
- 5) Customs , beliefs and values
- 6) Demographic factors which includes the size, composition, literacy level, distribution and mobility of the population
- 7) The lifestyle of people and their tastes, likes and preferences.

III. Political and Legal environment –

The framework for running a business is given by the political and legal environment.

The success of a business lies in its ability to adapt and sustain to political and legal changes. The legislative, executive and

judiciary are the three political institutions which directs and influences a business. The major elements of the legal and political environment are

1) Political stability is reflected by the following parameters like the election system, the law and order situation, the role and structure of Military and Police force, the declaration of President's rule, civil war etc

2) Political organisation refers to the ideology and philosophy of the political parties, the government, the role and degree of authority of bureaucracy, the level of political consciousness among citizens and the funding of political parties by business houses and the clout wielded by them.

3) The image of the leader and the country in the inter-national arena.

4) Legal framework of business and their degree of flexibility.

5) The constitution of the nation.

6) The Foreign policy of the country with special reference to tariffs and free trade.

IV. Geo-physical environment – The natural, geographical and ecological factors have a bearing on the business. These are as follows;

1) the availability of natural resources like minerals oil .etc, since setting up of industries requires availability of raw materials

2) the weather and climatic conditions and availability of water and other natural resources

is essential for the agricultural sector .

3) topographical factors like the terrain impacts type of business since the demand and consumption pattern may vary in these regions. E.g in the the hilly region mode of transport will have to be modified to tackle the terrain.

4) ecological factors are now gaining momentum, since the governments across the globe are framing stringent policies for ecological conservation and prevention of pollution. The ban on use of plastic bags imposed by the Ooty corporation is an

example.

5) location of certain industries is influenced

by the geographical conditions For e.g In Tamilnadu the concentration of cotton textile industry in Coimbatore is due to conducive weather conditions. .

6) availability of natural harbours and port facilities for transporting goods .

V. Technological environment – The development in the IT and telecommunications has created a global market. Technology is widely used in conducting market research for understanding the special needs of the customer. Digital and social media are used as a platform for advertising and promoting the products/services.

Datamining and data analytics are used to know the customer better. Technology is used in managing inventory, storing goods in warehouses, in distributing goods and in receiving payment. This dynamic environment also includes the following ;

- 1) the level of technology available within the country
 - 2) rate of change in technology
 - 3) technology adopted by competitors
 - 4) technological obsolescence
2. Explain the micro environmental factors of business. (any 5)

Financiers: The financiers of a business which includes the debenture holders and financial institutions play a significant part in the running of a business. Their financial capability, policies strategies, attitude towards risk and ability to give non-financial assistance are all important to a business.

ii) Suppliers: In any organisation the suppliers of raw materials and other inputs play a very vital role. Timely procurement of materials from suppliers enables continuity in production and reduces the cost of maintaining stock/inventory. Organisations

generally obtain supplies from a panel of suppliers instead of relying on a single source. Organisations have realised the importance of nurturing and maintaining good relationship with the suppliers.

iii) Marketing Channel members: The marketing inter-mediaries serve as a connecting link between the business and its customers .The middlemen like dealers, wholesalers and retailers ensure transfer of product to customers .physical distribution is facilitated by transporters, and warehouses help in storing goods. Market research agencies help the firm to understand the needs of the customers while advertising agencies help in promoting the products and services. Insurance firm is another marketing intermediary which provides coverage for risk in business.

iv) Public: This refers to any group like media group, citizen action group and local public which has an impact on the business. The public group has the ability to make or mar a business. Many companies had to face closure due to actions by local public.

v) Customers: The aim of any business is to satisfy the needs of its customers. The customer is the king and the fulcrum around which the business revolves. Hence it is essential for any business to understand

the needs of its varied customers like individuals, retailers, wholesalers, industries and government sector.

Customer relationship management aims at creating and sustaining cordial relations with customers.

vi) Competitors: All organisations face competition at all levels local, national and global. Competitors may be for the same product or for similar products. It is important for a business to understand its competitors and modify their business strategies in the face of competition.

ADDITIONAL QUESTIONS

1. Define Business Environment.

According to Bayard O 'Wheeler Business environment is *"the total of all things external to firms and industries which affect their organisation and operations"*.

2. List types of Environment.

The Business Environment can be classified as follows:

I) Internal Environment

II) External Environment

3. Write short notes on Future environment of business-VUCA

The future environment of business in this age of rapid technological advancement

has been captured aptly in the acronym VUCA – volatility, uncertainty, complexity

and ambiguity, developed in the late 80's by the U.S military. Every business has to take strategic decisions. The dynamic ever changing environment, the unpredictability of various factors, the multiplicity of forces affecting

business and the lack of clarity are the variables which affects business.

It is now important for every business to meet the challenges posed by the environment in order to remain competitive. The uncertain conditions and situations requires a firm to be prepared to face the volatility by planning. The presence of complex variables impacting business should be understood and alternative measures for solving the issues should be developed. In an VUCA environment a firm has to be forward looking anticipating the change, adaptability will remain essential for the success of any business in an ambiguous, uncertain environment.

4. Write a short notes on Corporate Governance

Corporate governance is a set of rules and policies which governs a company. It provides a frame work for managing a company and achieving its objectives. It gives guidelines for

internal control, performance measurement and corporate disclosure. Corporate governance lays down the rules and responsibilities of the stakeholders of a company primarily the shareholders, the directors and the management.

The role of board of directors is very important in corporate governance. It is the board that provides the guidelines for the company and its other stakeholders including employees, customers, suppliers and financiers. Corporate governance is based on the four fundamental pillars of fairness, transparency, accountability and responsibility.

In India the Kumara Mangalam Birla Committee 2000, Narayana Murthy Committee 2003 , Adi Godrej Committee 2008, and presently Uday Kotak Committee were constituted to give a comprehensive framework for Corporate Governance. The present corporate governance norms, included in the Companies Act 2013, SEBI listing regulations and Clause 49 of the listing agreement are the outcome of discussion by these committees.

The Indian Corporate Governance framework requires listed companies

- i) to have independent directors on the board; At least one third of the directors have to be independent directors.
- ii) to have at least one independent woman director ,
- iii) to disclose all deals and payments to related parties.
- iv) to disclose details of managerial compensation
- v) CEO and CFO to sign stating that the governance norms have been complied with in the financial statements.

It can thus be concluded that the

presence of active governance norms in a company enhances the image of the company, increases investor confidence and safeguards the interests of the shareholders and the society. The new norms laid down in Companies Act 2013 by bringing in transparency in corporates have raised the governing standards of Indian companies as per International Standards.

5. Write short notes on GST Goods and Services Tax

GST is the indirect tax levied on goods and services across the country. It is a **comprehensive**, multi-stage, destination based tax that is levied on every value addition. There are 3 taxes applicable under this system.

- i) **CGST:** Collected by the Central Government on an intra-state sale (Eg: transaction happening in TamilNadu)
- ii) **SGST:** Collected by the State Government on an intra-state sale (Eg: transaction happening within TamilNadu)
- iii) **IGST:** Collected by the Central Government for inter-state sale (Eg: Punjab to Tamil Nadu)

UNIT TEST QUESTIONS

I. Choose the Correct Answers:

1. **VUCA** stands for _____, _____, _____, _____.
 (a) Volatility, Uncertainty, Complexity and Ambiguity
 (b) Value, Unavoidable, Company and Authority
 (c) Volatility, Uncontrollable, Company and Auction
 (d) All of the above
2. **GST** stands for _____, _____, _____.
 (a) Goods and Social Tax

- (b) Goods and Service Tax
- (c) Goods and Sales Tax
- (d) Goods and Salary Tax

3. Factors within an organisation constitutes _____ environment.

- (a) Internal Thinker
- (b) External Thinker
- (c) Fellow human beings
- (d) All of the above

4. Macro Environment of business is an _____ factor.

- (a) Uncontrollable (b) Controllable
- (c) Manageable (d) Immanageable

5. The two major types of business environment are _____ and _____.

- (a) Positive and Negative
- (b) Internal and External
- (c) Good and Bad
- (d) Allowable and Unallowable

Answers:

1 a 2 b 3 a 4 a 5 b

II. Very Short Answer Questions:

1. What is internal environment?
2. Give the meaning of corporate governance.
3. What is GST?
4. Expand VUCA.

III. Short Answer Questions:

1. What are the political environment factors?
(any 3)
2. Write about any three internal environmental factors of business.
3. What do you know about Technological environment?

IV. Long Answer Questions:

1. Discuss the role of macro environment of business. (any 5)
2. Explain the micro environmental factors of business. (any 5)

UNIT VII BUSINESS ENVIRONMENT

CHAPTER 20 LIBERALIZATION, PRIVATIZATION AND GLOBALIZATION

CHAPTER SYNOPSIS

20.01 Dimensions of New Economic Policy

20.02 Meaning and forms of Liberalisation

20.03 Advantages and disadvantages of Liberalisation

20.04 Impact of Liberalisation

20.05 Meaning and Forms of Privatisation

20.06 Advantages and disadvantages of Privatisation

20.07 Impact of Privatisation

20.08 Meaning and Forms of Globalisation

20.09 Advantages and disadvantages of Globalisation

20.10 Impact of Globalisation

20.11 Highlights of LPG policy

Important Points

Liberalization refers to laws or rules being liberalized, or relaxed, by a government.

Privatization is the incidence or process of transferring ownership of a business enterprise, agency or public service from the government to the private sector.

Globalisation means the interaction and integration of the domestic economy

with the rest of the world with regard to foreign investment, trade, production and financial matters. It is the process by which businesses or other organizations develop international influence or start operating on an international scale. Globalization stands for the consolidation of the various economies of the world.

I. Choose the Correct Answers:

1. _____ is the result of New Industrial Policy which abolished the 'License System'.

(a) Globalisation (b) Privatisation
(c) Liberalisation (d) None of these

2. _____ means permitting the private sector to setup industries which were previously reserved for public sector.

(a) Liberalisation (b) Privatisation
(c) Globalisation (d) Public Enterprise

3. _____ ownership makes bold management decisions due to their strong foundation in the international level.

(a) Private (b) Public
(c) Corporate (d) MNC's

4. _____ results from the removal of barriers between national economies to encourage the flow of goods, services, capital and labour.

(a) Privatisation (b) Liberalisation
(c) Globalisation (d) Foreign Trade

5. New Economic Policy was introduced in the year _____.

(a) 1980 (b) 1991
(c) 2013 (d) 2015

Answers:

1 c 2 b 3 a 4 c 5 b

II. Very Short Answer Questions:

1. State the branches of New Economic Policy.

Liberalisation

Privatisation

Globalisation

2. What is Privatisation?

Privatization is the incidence or process of transferring ownership of a business enterprise, agency or public service from the government to the private sector.

3. Mention any two disadvantages of Liberalisation.

Disadvantages

(a) Increase in unemployment: Trade liberalisation often leads to a shift in the balance of an economy. Some industries

grow, some decline. Therefore, there may often be structural unemployment from certain industries closing.

(b) Loss to domestic units: With fewer entry restrictions, it has been possible for many entrants to make inroads into the country, which poses a threat and competition to the existing domestic units.

3. Give any two advantages of Globalisation.

Advantages

(a) Increase in foreign collaboration: Globalisation increases foreign collaboration

through various modes such as joint venture, merger, franchise, turn-key projects, etc.

(b) Expansion of market: The size and operation of business moves from local to national and from national to international.

III. Short Answer Questions:

1. What do you mean by Liberalisation?

Liberalization refers to laws or rules being liberalized, or relaxed, by a government.

Liberalization means relaxation of various government restrictions in the areas of social and economic policies in order to

make economies free to enter in the market and establish their venture in the country.

2.State any three impacts on Globalisation.

Impact of Globalization

(a) Corporations got a competitive advantage from lower operating costs, and access to new raw materials and additional markets.

(b) Multinational corporations (MNCs) can manufacture, buy and sell goods worldwide.

(c) Globalisation has led to a boom in consumer products market.

3.Write a short note on New Economic Policy.

The base for New Economic Policy in various countries of the world is Dunkel Draft, which was all about the General Agreements on Trade and Tariff. Mr. Arthur Dunkel (1932-2005) submitted a 22000 page document for the World Trade Organisation (WTO) and followed by many Nations to adopt their respective New Economic Policies. India is one among such nations to commit itself to the New Economic Policy in 1991.

IV. Long Answer Questions:

1. Explain the advantages and disadvantages of liberalisation. (any 5)

Advantages

(a) Increase in foreign investment: If a country liberalises its trade, it will make the country more attractive for inward investment. Inward investment leads to capital inflows but also helps the economy through diffusion of more technology, management techniques and knowledge.

(b) Increase the foreign exchange reserve:

Relaxation in the regulations covering

foreign investment and foreign exchange has paved way for easy access to foreign capital.

(c) Increase in consumption:

Liberalization increases the number of goods available for consumption within a country due to increase in production.

(d) Control over price: The removal of tariff barriers can lead to lower prices for consumers. This would be particularly a benefit for countries who are importers.

Disadvantages

(a) Increase in unemployment: Trade liberalisation often leads to a shift in the balance of an economy. Some industries grow, some decline. Therefore, there may often be structural unemployment from certain industries closing.

(b) Loss to domestic units: With fewer entry restrictions, it has been possible for many entrants to make inroads into the country, which poses a threat and competition to the existing domestic units.

(c) Increased dependence on foreign nations: Trade liberalisation means firms will face greater competition from abroad. When competition is not automatically enhanced, it can lead to domination by big institution that has market controlling powers.

2. What are the highlights of the LPG policy? (any 5)

Highlights of the LPG Policy

Given below are the salient highlights of the Liberalisation, Privatisation and Globalisation Policy in India:

- (a) Introduction of new Foreign Trade Agreements
- (b) Foreign Investment (FDI & FII)
- (c) MRTP Act, 1969 (Amended)
- (d) Deregulation
- (e) Opportunities for overseas trade
- (f) Steps to regulate inflation
- (g) Tax reforms
- (h) Abolition of License

UNIT TEST QUESTIONS

I. Choose the Correct Answers:

1. _____ is the result of New Industrial Policy which abolished the 'License System'.

- (a) Globalisation (b) Privatisation
(c) Liberalisation (d) None of these

2. _____ means permitting the private sector to setup industries which were previously reserved for public sector.

- (a) Liberalisation (b) Privatisation
(c) Globalisation (d) Public Enterprise

3. _____ ownership makes bold management decisions due to their strong foundation in the international level.

- (a) Private (b) Public
(c) Corporate (d) MNC's

4. _____ results from the removal of barriers between national economies to encourage the flow of goods, services, capital and labour.

- (a) Privatisation (b) Liberalisation
(c) Globalisation (d) Foreign Trade

5. New Economic Policy was introduced in the year _____.

- (a) 1980 (b) 1991
(c) 2013 (d) 2015

II. Very Short Answer Questions:

1. State the branches of New Economic Policy.
2. What is Privatisation?
3. Mention any two disadvantages of Liberalisation.
4. Give any two advantages of Globalisation.

III. Short Answer Questions:

1. What do you mean by Liberalisation?
2. State any three impacts on Globalisation.
3. Write a short note on New Economic Policy.

IV. Long Answer Questions:

1. Explain the advantages and disadvantages of liberalisation. (any 5)
2. What are the highlights of the LPG policy? (any 5)

**UNIT VIII
THE SALE OF GOODS
ACT 1930
AND THE
NEGOTIABLE
INSTRUMENTS ACT
1881
CHAPTER 21
THE SALE OF
GOODS ACT 1930**

CHAPTER SYNOPSIS

- 21.01 Formation of Contract of Sale
- 21.02 Difference between Sale and Agreement to Sell
- 21.03 Types of Goods
- 21.04 Transfer of Ownership
- 21.05 Conditions and Warranties
- 21.06 Rights of an Unpaid Seller

Important Points

Contract of Sale of Goods

Contract of sale of goods is a contract whereby the seller transfers or agrees to transfer the property (ownership) of the goods to the buyer for a price.

I. Choose the Correct Answers:

1. Sale of Goods Act was passed in the year
a) 1940 b) 1997
c) 1930 d) 1960
2. Which of the below constitutes the essential element of contract of sale?
a) Two parties b) Transfer of property
c) Price d) All of the above
3. Which of the below is not a good?
a) Stocks b) Dividend due
c) Crops d) Water

4. In case of the sale, the ____ has the right to sell

- a) Buyer b) Seller
c) Hirer d) Consignee

5. The property in the goods means the

- a) Possession of goods
b) Custody of goods
c) Ownership of goods
d) Both (a) and (b)

Answers:

1 c 2 d 3 b 4 b 5 c

II. Very Short Answer Questions:

1. What is a contract of sale of goods?

Contract of Sale of Goods

Contract of sale of goods is a contract whereby the seller transfers or agrees to transfer the property (ownership) of the goods to the buyer for a price.

2. List down the essential elements of a contract of sale.

Essential Elements of a Contract of Sale

- (1) Two Parties
- (2) Transfer of Property
- (3) Goods
- (4) Price
- (5) Includes both 'Sale' and 'Agreement to Sell'

3. What is meant by goods?

Goods

The subject matter of contract of sale must be goods. It excludes money, actionable claims and immovable property. The term 'goods' includes every kind of movable property, stocks and shares, growing crops etc. Goodwill, trademarks, copy rights, patent rights etc., are all also regarded as goods.

4. What is a Contingent Goods?

Contingent Goods

Contingent goods are the goods, the acquisition of which by the seller depends upon a contingency (an event which may or may not happen). Contingent goods are a part of future goods. Eg. 'A' agrees to sell a particular painting work, provided he gets from 'C'.

III. Short Answer Questions:

1. Discuss in detail about existing goods.

Existing Goods

Existing goods are those owned or possessed by the seller at the time of contract of sale. Goods possessed even refer to sale by agents or by pledgers. The diagram given below exhibits the type of goods covered under the sale of goods act.

Existing goods may be either

- (i) Specific Goods
 - (ii) Ascertained Goods
 - (iii) Generic or Unascertained Goods
2. Discuss the implied conditions and warranties in sale of goods contract.

Implied Conditions and Warranties

In every contract of sale, there are certain expressed and implied conditions and warranties. The term implied conditions means conditions which can be inferred from or guessed from the context of the contract.

IV. Long Answer Questions:

1. Explain in detail the elements of Contract of sale.

Essential Elements of a Contract of Sale

Following essential elements are necessary

for a contract of sale.

(1) Two Parties

A contract of sale involves two parties – the seller and the buyer. The buyer and the seller should be two different persons. If a person buys his own goods, there is no sale. On the dissolution of partnership when the surplus assets including goods were distributed among the partners, the court held that it was not a sale attracting sales tax.

The partners were themselves joint owners of the goods and they could not be both sellers and buyers. However, there is one exception. When the goods of a person are sold in execution of a decree, he himself may buy the goods to retain their ownership.

(2) Transfer of Property

To constitute sale, the seller must transfer or agree to transfer the ownership in the good to the buyer. A mere transfer of possession does not amount to sale.

(3) Goods

The subject matter of contract of sale must be goods. It excludes money, actionable claims and immovable property. The term ‘goods’ includes every kind of movable property, stocks and shares, growing crops etc. Goodwill, trademarks, copy rights, patent rights etc., are all also regarded as goods.

(4) Price

The monetary consideration for the goods sold is called price. If goods are exchanged for goods, it is only barter and not a sale. But if goods are sold partly for goods and partly for money, the contract is one of sale.

(5) Includes both ‘Sale’ and ‘Agreement to Sell’

The term contract of sale includes both sale and agreement to sell. If the property in goods is transferred immediately to the buyer it is called a sale. On the other hand, if the transfer of property takes place at a future date or on fulfilment of certain

conditions, it is called ‘an agreement to sell’.

2. Distinguish between Conditions and Warranty.

Sl. No	Basic of Difference	Condition	Warranty
1.	Meaning	It is a stipulation which is essential to the main purpose of the contract of sale.	It is a stipulation which is collateral to the main purpose of contract.
2.	Significance	Condition is so essential to the contract that the breaking of which cancels out the contract.	It is of subsidiary or inferior character. The violation of warranty will not revoke the contract.
3.	Transfer of Ownership	Ownership on goods cannot be transferred without fulfilling the conditions.	Ownership on goods can be transferred on the buyer without fulfilling the warranty.
4.	Remedy	In case of breach of contract, the affected party can cancel the contract and claim damages.	In the case of breach of warranty, the affected party cannot cancel the contract but can claim damages only.
5.	Treatment	Breach of condition may be treated as breach of warranty	Breach of warranty cannot be treated as breach of condition.

UNIT TEST QUESTIONS

I. Choose the Correct Answers:

1. Sale of Goods Act was passed in the year

- a) 1940 b) 1997
c) 1930 d) 1960

2. Which of the below constitutes the essential element of contract of sale?

- a) Two parties b) Transfer of property
c) Price d) All of the above

3. Which of the below is not a good?

- a) Stocks b) Dividend due
c) Crops d) Water

4. In case of the sale, the _____ has the right to sell

- a) Buyer b) Seller
c) Hirer d) Consignee

5. The property in the goods means the

- a) Possession of goods

- b) Custody of goods
- c) Ownership of goods
- d) Both (a) and (b)

II. Very Short Answer Questions:

1. What is a contract of sale of goods?
2. List down the essential elements of a contract of sale.
3. What is meant by goods?
4. What is a Contingent Goods?

III. Short Answer Questions:

1. Discuss in detail about existing goods.
2. Discuss the implied conditions and warranties in sale of goods contract.

IV. Long Answer Questions:

1. Explain in detail the elements of Contract of sale.
2. Distinguish between Conditions and Warranty.

UNIT VIII THE SALE OF GOODS ACT 1930 AND THE NEGOTIABLE UNIT INSTRUMENTS ACT 1881

CHAPTER 22 THE NEGOTIABLE INSTRUMENTS ACT 1881

CHAPTER SYNOPSIS

- 22.01 Negotiable Instruments – Meaning, Characteristics, Assumptions
- 22.02 Negotiability & Assignability
- 22.03 Bills of Exchange, Cheque, Promissory Note – A Comparison
- 22.04 Crossing of Cheque
- 22.05 Endorsements

Important Points

The word ‘Negotiable’ means transferable from one person to another in return for consideration.

‘Instrument’ means a written document by which a right is created in favour of certain person.

I. Choose the Correct

Answers:

1. Negotiable Instrument Act was passed in the year _____.
a. 1981 b. 1881
c. 1994 d. 1818

2. Number of parties in a bill of exchange are

- a. 2 b. 6
c. 3 d. 4

3. Section 6 of Negotiable Instruments Act

1881 deals with

- a. Promissory Note b. Bills of exchange
c. Cheque d. None of the above

4. _____ cannot be a bearer instrument.

- a. Cheque b. Promissory Note
c. Bills of exchange d. None of the above

5. A cheque will become stale after _____

months of its date:

- a. 3 b. 4
c. 5 d. 1

Answers:

1 b 2 c 3 c 4 b 5 a

II. Very Short Answer Questions:

1. What is meant by Negotiable Instrument?

In the words of Justice K.C. Wills, a negotiable instrument is one, the property in which is acquired by anyone who takes it bonafide and for value, and withstanding any defect to title in the person from whom he took it.

2. List three characteristics of a Promissory Note.

Characteristics of a Promissory Note

1. A promissory note must be in writing. An oral promise to pay does not constitute a promissory note.
2. It must contain a promise or undertaking to pay a mere acknowledgement of indebtedness will not make it a promissory note.
3. The promise to pay must be unconditional.

In other words, the promise to pay must not depend upon the happening of any uncertain event.

3. What is meant by Cheque?

According to section 6 of the Negotiable Instruments Act, 1881 defines a cheque as “a bill of exchange drawn on a specified banker and not expressed to be payable otherwise than on demand”.

III. Short Answer Questions:

1. Distinguish between Negotiability and Assignability. (any 3)

Sl. No.	Basic of Difference	Negotiability	Assignability
1.	Legal Ownership	It passes to the transferee by mere endorsement in the case of a bearer instrument and by endorsement and delivery in the case of an order instrument.	An assignment can be made by observing certain formalities. For instance, an instrument is to be made in writing, duly stamped and signed by the transferor or his agent.
2.	Notice	Notice is not necessary for the holder of negotiable instrument to claim the payment from the debtor.	In case of actionable claim, notice of the assignment by the transferee regarding the transfer of debt to the debtor is necessary.
3.	Nature of title	Holder of negotiable instrument in due course gets a better title than even the transferor. It means that the transferee gets the instrument free from any defect existing in the title of the transferor or any prior party.	The transferee's title to the instrument is subject to the defects of the transferor's title. In other words, defects in the title of the transferor pass on to the transferee too.
4.	Consideration	Consideration is presumed	The assignee has to prove the consideration for the transfer.

2. What are the characteristics of a bill of exchange? (any 3)

Characteristics of a Bill of Exchange

- i. A bill of exchange is a document in writing.
- ii. The document must contain an order to pay.
- iii. The order must be unconditional.
- iv. The instrument must be signed by the person who draws it.

4. Draw the two different types of crossing.

Types of Crossing

1. General Crossing
2. Special Crossing

1. General Crossing

According to section 123 of the Negotiable Instruments Act, 1881,

“Where a cheque bears across its face an addition of the words “and company” or any abbreviation thereof, between two parallel transverse lines or of two parallel transverse lines simply, either with or without the words “not negotiable” that addition shall be deemed a crossing and the cheque shall be deemed to be crossed generally”.

2. Special Crossing

According to section 124 of the Negotiable Instruments Act, 1881,

“Where a cheque bears across its face an addition of the name of a banker with or without the words “not negotiable”, that addition shall be deemed a crossing and the cheque shall be deemed to be crossed specially and to be crossed to that banker”.

IV. Long Answer Questions:

1. **Distinguish a cheque and a bill of exchange.**

(any 5)

2. **Discuss in detail the features of a cheque.**

(any 5)

Features of a Cheque

(i) Instrument in Writings

A cheque or a bill or a promissory note must be an instrument in writing. Though the law does not prohibit a cheque being written in pencil, bankers never accept it because of risks involved. Alteration is quite easy but detection impossible in such cases.

(ii) Unconditional Orders

The instrument must contain an order to pay money. It is not necessary that the word ‘order’ or its equivalent must be used to make the document a cheque. It does not cease to be a cheque just because the word ‘please’ is used before the word pay.

Further the order must be unconditional. In other words, payment of money is made dependent on the happening of an event or on a fulfilment of a condition, the instrument loses the characteristics of a cheque.

(iii) Drawn on a Specified Banker Only

The cheque is always drawn on a specified banker. A cheque vitally differs from a bill in this respect as latter can be drawn on any person including a banker. The customer of a bank can draw the cheque only on the particular branch of the bank where he has an account.

(iv) A Certain Sum of Money Only

The order must be for payment of only money. If the banker is asked to deliver securities, the document cannot be called a cheque. Further, the sum of money must be certain.

(v) Payee to be Certain

The cheque must be made payable to a certain person or to the order of a certain person or to the bearer of the instrument. The word, person includes bodies corporate, local authorities, associations, holders of office of an institution etc.,

(vi) Signed by the Drawer

The cheque is to be signed by the drawer. Further, it should tally with specimen signature furnished to the bank at the time of opening the account.

3. **What are the requisites for a valid endorsement?**

(any 5)

Requisites of a Valid Endorsement

If an endorsement is to be valid, it must possess the following requisites:

1. Endorsement is to be made on the face of the instrument or on its back. It is usually made on the back of a negotiable instrument.

2. When there is no space for making further endorsements a piece of paper can be attached to the negotiable instrument for this purpose. This piece of paper is called ‘Allonge’.

3. If the endorsee's name is wrongly spelt, the endorsee should sign the same as spelt in the instrument and write the correct spelling within brackets after his endorsement.
4. Endorsement for only a part of the amount of the instrument is invalid. It can be made only for the entire amount.
5. Where, however, the instrument has been partly paid, a note to that effect can be given on the instrument and endorsement made for the balance amount.
6. Endorsement is complete only when delivery of the instrument is made. On the death of the endorsee who has endorsed an instrument but has not delivered it to the endorsee, the endorsement becomes invalid.
7. It is presumed that the endorsements appearing on a negotiable instrument were made in the order in which they appear thereon.
8. Signing in block letters does not constitute regular endorsement.

UNIT TEST QUESTIONS

I. Choose the Correct

Answers:

1. **Negotiable Instrument Act was passed in the year _____.**
a. 1981 b. 1881
c. 1994 d. 1818
2. **Number of parties in a bill of exchange are**
a. 2 b. 6
c. 3 d. 4
3. **Section 6 of Negotiable Instruments Act 1881 deals with**
a. Promissory Note b. Bills of exchange
c. Cheque d. None of the above
4. **_____ cannot be a bearer instrument.**
a. Cheque b. Promissory Note
c. Bills of exchange d. None of the above
5. **A cheque will become stale after _____**

months of its date:

- a. 3 b. 4
c. 5 d. 1

Answers:

1 b 2 c 3 c 4 b 5 a

II. Very Short Answer Questions:

1. What is meant by Negotiable Instrument?
2. List three characteristics of a Promissory Note.
3. What is meant by Cheque?

III. Short Answer Questions:

1. Distinguish between Negotiability and Assignability. (any 3)
2. What are the characteristics of a bill of exchange? (any 3)
3. Draw the two different types of crossing.

IV. Long Answer Questions:

1. Distinguish a cheque and a bill of exchange. (any 5)
2. Discuss in detail the features of a cheque. (any 5)
3. What are the requisites for a valid endorsement? (any 5)

UNIT IX

ENTREPRENEURSHIP

UNIT DEVELOPMENT

CHAPTER 23

ELEMENTS OF ENTREPRENEURSHIP

CHAPTER SYNOPSIS

23.01 Entrepreneurship – Meaning, Concept & Definition

23.02 Characteristics of Entrepreneur

23.03 Importance of Entrepreneurship

23.04 Entrepreneur, Intrapreneur and Manager – a comparison

23.05 Women Entrepreneurs – Opportunities and Challenges

23.06 Entrepreneurial Functions

Entrepreneurship generates employment opportunities to many people besides providing self employment to the entrepreneur. Any business venture started triggers a variety of economic activities like purchasing raw material, creating employment opportunities and so on. Thus, entrepreneurship become crucial for overall economic development of a nation.

Intrapreneur

Intrapreneur is one who thinks and acts like an entrepreneur for the firm's development during the course of employment in an organisation. An Intrapreneur is described to be an inside entrepreneur or an entrepreneur within a large firm who uses entrepreneurial skills without incurring the risk associated with those activities. Intrapreneurs are usually employees of a company who are assigned to a particular project or who are assigned to work on a special idea. Intrapreneur usually use the resources and

capabilities of the firm to work on the project or on the idea.

I. Choose the Correct Answers:

1. Which of the below is a factor of production?

- (a) Land (b) Labour
(c) Entrepreneurship (d) All of the above

2. Entrepreneur is not classified as

- (a) Risk Bearer (b) Innovator
(c) Employee (d) Organizer

3. What are the characteristics of an entrepreneur?

- (a) Spirit of enterprise (b) Flexibility
(c) Self Confidence (d) All of the above

4. Which of the below is not classified into

managerial functions?

- (a) Planning (b) Marketing
(c) Organizing (d) Controlling

5. Which of the below is a commercial function?

- (a) Accounting (b) Coordination
(c) Discovery of idea (d) Planning

Answers:

1 d 2 c 3 d 4 b 5 a

II. Very Short Answer Questions:

1. Mention any two characteristics of entrepreneurs.

Characteristics of Entrepreneur

1. Spirit of Enterprise

Entrepreneur should be bold enough to encounter risk arising from the venture undertaken. Entrepreneur should not get discouraged by setbacks or frustrations emerging during the course of entrepreneurial journey.

2. Self Confidence

Entrepreneur should have a self confidence in order to achieve high goals in the business. The negativities like inconvenience, discomfort, disappointments, rejections, frustrations and so on should not

weaken his steely resolve to make the venture a grand success.

2. List down the managerial functions of entrepreneurs. (any 2)

- 1.Planning
- 2.Organising

3. List down the promotional functions of entrepreneurs. (any 2)

- (1) Discovery of Idea**
- (2) Determining the business Objectives**

4. List the challenges faced by the women entrepreneurs. (any 2)

- 1. Problem of Finance**
- 2. Limited Mobility**

III. Short Answer Questions:

1. Distinguish between entrepreneur and Manager. (any 3)

Basis of difference	Entrepreneur	Manager
Motive	The very motive of an entrepreneur is to start a venture by setting of an entity.	The very motive of manager is to render service in an entity setup for execution of venture.
Status	Entrepreneur is owner of the entity	Manager is a salaried employee in the entity set up for carrying on the venture.
Risk Bearing	Entrepreneur bears the eventual risk and uncertainty in operating the enterprise	Manager doesn't bear any risk in the venture where the venture is unsuccessful he/she simply quits the enterprise.
Rewards	Entrepreneur is rewarded by profit for the risk bearing exercise. The reward for entrepreneur is totally uncertain.	Manager's reward salary, bonus, allowance is certain and regular.
Skills	An entrepreneur requires creative talent, intuition and urge for innovation.	Manager requires conceptual skills and human relations skills.

2. List down the commercial functions of Entrepreneur and explain them shortly.

(any 3)

III. Commercial Functions

(1) Production or Manufacturing

Under production function, entrepreneur has to take decision relating to selection of factory site, design and layout, type of products to be manufactured, research and development, product design etc., The efficient and effective performance of production function depends on the proper production planning and control to a major extent.

(2) Marketing

Entrepreneur has to carry out following functions pertaining to marketing aspect namely consumer research, product planning and development, standardisation, packaging, pricing, warehousing, distribution, promotion etc., The very success of marketing function is very much linked with selection of appropriate marketing mix. The term marketing mix denotes the combination of four components namely product, price, promotion and physical distribution in the case of physical products and three more components are included in the case of service products namely people, process and physical evidence.

(3) Accounting

Entrepreneur has to arrange to prepare trading and profit and loss account in order to know the profit or loss incurred out of operation of the business and prepare balance sheet to know the financial status of business at a particular day. Besides, cash flow and fund flow statements are prepared to ensure the adequacy of funds and cash for meeting various working capital needs of the business.

3. Explain the promotional functions of entrepreneur. (any 3)

I. Promotional Functions

(1) Discovery of Idea

The first and foremost function of entrepreneur is idea generation. A person may conceive his own ideas or develop the ideas contributed by others. Ideas can be generated through several ways like own experience and exposure of entrepreneur, keen observation of environment, education, training, market survey, environmental scanning and so on. After the ideas were collected, entrepreneur has to weigh objectively each and every idea and finally select an idea which is worth pursuing commercially.

(2) Determining the business objectives

Entrepreneur has to develop business objectives in the backdrop of nature of business and type of business activity i.e. nature of business, manufacturing or trading, type of business organisation chosen so that he/she can organise the venture in accordance with the objectives determined by him/her.

(3) Detailed Investigation

Entrepreneur has to analyse in detail the product proposes to produce. In other words, Entrepreneur should investigate commercial feasibility of the product proposed to be produced and conduct market study to ascertain the potential demand for the product. Besides, Entrepreneur has to probe the sources of supply of various inputs required for manufacturing the proposed product, their respective prices and other terms and conditions.

IV. Long Answer Questions:

1. What are the characteristics of an entrepreneur? (any 5)

Entrepreneur

1. Spirit of Enterprise

Entrepreneur should be bold enough to encounter risk arising from the venture

undertaken. Entrepreneur should not get discouraged by setbacks or frustrations emerging during the course of entrepreneurial journey.

2. Self Confidence

Entrepreneur should have a self confidence in order to achieve high goals in the business. The negativities like inconvenience, discomfort, disappointments, rejections, frustrations and so on should not weaken his steely resolve to make the venture a grand success.

3. Flexibility

Entrepreneur should not doggedly stick to decisions in a rigid fashion. Entrepreneur should change the decisions made already in the light of ever-changing business environment.

4. Innovation

Entrepreneur should contribute something new or something unique to meet the changing requirements of customers namely new product, new method of production or distribution, adding new features to the existing product, uncovering a new territory for business, innovating new raw material etc.,

5. Resource Mobilisation

Entrepreneur should have the capability to mobilise both tangible inputs like manpower, money materials, technology, market, method etc., which are scattered over a wide area and certain intangible inputs like motivation, morale and innovativeness cannot be purchased in the market outright. Entrepreneur has to marshal all these tangible and intangible inputs to produce a product successfully. Thus entrepreneurship is a function of gap filling and input completion.

6. Hard work

Entrepreneur should put in strenuous efforts and constant endeavours to accomplish the goals of the venture successfully. They have to courageously face uncertainties, risks and constraints. They should not blame the uncontrollable

factors for the misfortunes experienced during the course of their entrepreneurial venture. They should spend their energy in addressing the issues to stay successful.

7. Leadership

Entrepreneur should be able to influence team members by showing sympathy and empathy so as to enable them to contribute positively towards the goals of the venture. Entrepreneur should lead others from the front and by personal example and should walk the talk and effectively take all the followers to activate the goals of the venture.

2. Distinguish between an Entrepreneur and an Intrapreneur. (any 5)

Basis	Entrepreneur	Intrapreneur
Thinking	Entrepreneur is a free thinker	Intrapreneur is forced to think independently but within scope of business activities undertaken in the enterprise.
Dependency	Entrepreneur is an independent person	Intrapreneur is dependent on the entrepreneur. He is an employee.
Fund Mobilization	Entrepreneur has to mobilize funds to finance the venture.	Intrapreneur does not engage in fund mobilization. But can access funds mobilized by the entrepreneur.
Reward	Entrepreneur is rewarded by profit for the risk bearing exercise.	Intrapreneur does not share in profits of venture. But gets perquisites, salary, incentives etc., for the service.
Risk Bearing	Entrepreneur bears the risk involved in the venture undertaken.	Intrapreneur does not bear any risk in the venture and does not even share the risk inherent in the project or work assigned. However Intrapreneur is accountable for the task or project assigned.
Status	Entrepreneur is owner, and doesn't report to anybody in the venture.	Intrapreneur is a salaried employee. Intrapreneur works within control put in place in the organization and is made accountable for the activities undertaken.
Operation	Entrepreneur operates mostly outside the enterprise.	Intrapreneur operates within the enterprise.

3. Discuss the challenges faced by Women Entrepreneurs. (any 5)

Challenges of Women Entrepreneurs

1. Problem of Finance

The access of women to external sources of funds is limited as they do not generally own properties in their own name. Financial institutions too do not consider

women in general creditworthy as they are sceptical of their entrepreneurial capabilities of women. They impose stringent condition which discourages women to avail themselves of loan assistance from banks. In this context, they are pushed to rely on their own savings and small loans from friends and relatives. Because of the limited funds, women entrepreneurs are not able to effectively and efficiently run and expand their business.

2. Limited Mobility

Indian women cannot afford to shed their household responsibilities towards their family even after they plunge into the venture started by them. This restricts the mobility of women entrepreneur significantly. The domestic responsibilities do not allow women entrepreneurs to freely move out of business enterprises in connection with business activities.

3. Lack of Education

Illiterate and semi-literate women entrepreneurs encounter a lot of challenges in their entrepreneurial journey with respect to maintaining accounts, understanding money matters, day-to-day operations of the company, marketing the products, applying technology etc., This reduces the efficiency of operating the business successfully.

4. Lack of Network Support

The successful operation of any venture irrespective of the size depends upon the network of support extended by various constituencies like family members, friends, relatives, acquaintances, neighbours, institutions and so on. Women entrepreneurs need much needed psychological support and wiser counselling especially during the time they actually encounter challenges. But it is reported that women entrepreneurs get very limited support in times of crisis from most of these constituencies.

5. Stiff Competition

Women entrepreneurs have to face acute competition for their goods from organised

sector and from their male counterparts. Since they are not able to spend liberally due to financial constraints, they are not able to compete effectively and efficiently in the market.

6. Sensitivity

Women are more prone to a variety of emotions. Being mother, women are vulnerable to many emotions. They tend to have sympathy and empathy for others. This trait does not allow women entrepreneurs to take objective decisions in many contexts during the course of running the entrepreneurial venture. Besides, the weak emotions do not allow them to tolerate failures and disappointments arising during the normal course of their entrepreneurial journey. This inherently tone downs the effectiveness of their functioning.

7. Lack of Information

Women entrepreneurs are reported not to be generally aware of subsidies and incentives available for them due to their poor literacy levels or due to their pre occupation with household responsibilities. This lack of knowledge or limited knowledge about subsidies prevents them from availing themselves of special concessions, benefits and incentives awarded by Government and other agencies.

UNIT TEST QUESTIONS

I. Choose the Correct Answers:

1. Which of the below is a factor of production?

- (a) Land (b) Labour
(c) Entrepreneurship (d) All of the above

2. Entrepreneur is not classified as

- (a) Risk Bearer (b) Innovator
(c) Employee (d) Organizer

3. What are the characteristics of an entrepreneur?

- (a) Spirit of enterprise (b) Flexibility
(c) Self Confidence (d) All of the above

4. Which of the below is not classified into

managerial functions?

- (a) Planning (b) Marketing

- (c) Organizing (d) Controlling

5. Which of the below is a commercial function?

- (a) Accounting (b) Coordination
(c) Discovery of idea (d) Planning

II. Very Short Answer Questions:

1. Mention any two characteristics of entrepreneurs.
2. List down the managerial functions of entrepreneurs. (any 2)
3. List down the promotional functions of entrepreneurs. (any 2)
4. List the challenges faced by the women entrepreneurs. (any 2)

III. Short Answer Questions:

1. Distinguish between entrepreneur and Manager. (any 3)
2. List down the commercial functions of Entrepreneur and explain them shortly. (any 3)
3. Explain the promotional functions of entrepreneur. (any 3)

IV. Long Answer Questions:

1. What are the characteristics of an entrepreneur? (any 5)
2. Distinguish between an Entrepreneur and an Intrapreneur. (any 5)
3. Discuss the challenges faced by Women Entrepreneurs. (any 5)

IX ENTREPRENEURSHIP DEVELOPMENT

CHAPTER 24

TYPES OF ENTREPRENEURS

CHAPTER SYNOPSIS

24.01 Types of Entrepreneurs

24.02 Classification According to Function

24.03 Classification According to Type Of

Business

24.04 Classification Based on Technology

Adopted

24.05 Classification in terms of Motivation

24.06 Classification Based on Development Stage

24.07 Classification According to Area

24.08 Classification According to Ownership

Important Points

Innovating Entrepreneur

Innovative entrepreneur is one who is always focussed on introducing a new project or introducing something new in the venture already started.

Imitative Entrepreneur

Imitative entrepreneur is one who simply imitates existing skill, knowledge or technology already in place in advanced countries.

Fabian Entrepreneur

These entrepreneurs are said to be conservatives and sceptical about

plasticising any change in their organisation. They are of risk-averse type.

Drone Entrepreneur

Drone entrepreneurs are those who are totally opposed to changes unfolding in the environment.

I. Choose the Correct Answers:

1. Which of the following is the Activity of a

Business Entrepreneur?

- a. Production b. Marketing
c. Operation d. All of the above

2. Find the odd one out in context of Trading

Entrepreneur.

- a. Selling b. Commission
c. Buying d. Manufacturing

3. Corporate Entrepreneur is also called as

- a. Intrapreneur b. Promoter
c. Manager d. Shareholder

4. Which of these is based on Technology?

- a. Modern b. Professional
c. Corporate d. Industrial

5. Which of the below is not a Characteristic

of a Fabian Entrepreneur?

- a. Conservative b. Risk averse
c. Sceptical d. Adaptive

Answers:

1 d 2 d 3 b 4 b 5 d

II. Very Short Answer Questions:

1. What is the other name of business entrepreneur?

Business entrepreneur is called solo entrepreneur. He/she is the one who conceives an idea for a new product/ service and establishes a business enterprise to translate his idea into reality.

2. Mention the other name for corporate entrepreneur.

Corporate Entrepreneur

Corporate entrepreneur is called promoter. He/she takes initiative necessary to start an entity under corporate format. He/she arranges to fulfil the formalities to start a corporate entity under Company law.

3. Who are agricultural entrepreneur?

Agricultural Entrepreneur

Agricultural entrepreneurs are those entrepreneurs who raise farm products and market them. They use the various inputs like labour, fertilizer, insecticide, water technology etc. to raise the products and market their products either directly or through cooperative entities or through brokers or through tie up with large retailers.

4. Give some examples of pure entrepreneurs.

Example Dhirubai Ambani, Jamshadji Tata, T.V. Sundaram Iyengar, Seshadriji, Birla, Narayanamurthi, Aziz Premji and so on.

III. Short Answer Questions:

1. Who is a private entrepreneur?

Private Entrepreneur

Ventures started by individual either singly or collectively at their own risk after mobilising various resources in order to earn profit are called private entrepreneurship.

2. Explain about the imitative entrepreneur.

Imitative Entrepreneur

Imitative entrepreneur is one who simply imitates existing skill, knowledge or technology already in place in advanced countries. A simply reengineer or redesign the products developed in advanced

countries and produce a version suited to their local conditions. For example, many electronic products invented in advanced countries are simply reengineered in developing countries. Similarly expensive medicines developed in advanced countries are simply reengineered by changing the composition of elements or changing the process of production. adaptability to changes will inevitably lead to loss or collapse of the enterprise. Their dealings are governed by customs, religion, tradition and past practices handed down to them by their ancestors. They would like to follow in the footsteps of predecessors. Example; Nursus coffee.

3. Write about Fabian entrepreneur.

Fabian Entrepreneur

These entrepreneurs are said to be conservatives and sceptical about plasticising any change in their organisation. They are of risk-averse type. They do not simply change to the changes happening in the environment. But they adapt themselves to the changes only as a last resort when they fear that non adaptability to changes will inevitably lead

to loss or collapse of the enterprise. Their dealings are governed by customs, religion, tradition and past practices handed down to them by their ancestors. They would like to follow in the footsteps of predecessors. Example; Nursus coffee

IV. Long Answer Questions:

1. Explain in detail on classification according to the type of business. (any 5)

Classification According to Type of Business

1. Business Entrepreneur

Business entrepreneur is called solo entrepreneur. He/she is the one who conceives an idea for a new product/service and establishes a business enterprise to translate his idea into reality.

He/she may establish small or large enterprise to commercially exploit his/he idea. He/she takes up production, operations and pursues marketing activities.

2. Trading Entrepreneur

Trading entrepreneurs are those who restrict themselves to buying and selling finished goods. They may be engaged in domestic and international trade. Their core strength lies in distribution and marketing. They get their income by way of commission and marketing.

3. Industrial Entrepreneur

These are entrepreneurs who manufacture products to cater to the needs of consuming public after identifying the need left unfulfilled by the manufacturer hitherto. They may be small, medium and large entrepreneurs. Industrial entrepreneurs mobilise the resources of various types and create an entity to manufacture the products or service. They add utility to products rolled out by them which is termed as value addition.

4. Corporate Entrepreneur

Corporate entrepreneur is called promoter. He/she takes initiative necessary to start an entity under corporate format. He/she arranges to fulfil the formalities to start a corporate entity under Company law.

Corporate entrepreneur assembles all the resources and put in place organisation to run the business on a day-to-day basis. In corporate form of organisation, ownership and management are separated. Corporate entities are registered under the Companies Act or under the Trust Act. Corporate entrepreneurs install a team of experts to manage the entity on a day to day basis.

5. Agricultural Entrepreneur

Agricultural entrepreneurs are those entrepreneurs who raise farm products and market them. They use the various inputs like labour, fertilizer, insecticide, water technology etc. to raise the products and

market their products either directly or through cooperative entities or through brokers or through tie up with large retailers. Those who raise allied products like poultry, meat, fish, honey, skin, agricultural implements, flower, silk, fruits, prawn etc., are called agricultural entrepreneur. In short these entrepreneurs pursue their venture in agriculture and allied sector.

6. Retail Entrepreneurs

Retail entrepreneurs are those who enter into venture of distributing the endproduct to final consumer while wholesale entrepreneurs take up the venture of distributing the product to retailer. They used to buy the goods in small quantities from numerous wholesalers and make it available different products of different brands under one roof to end consumer

7. Service Entrepreneurs

Service entrepreneurs enter into the venture of supplying service products to end consumers. Hoteliers, airlines, banking, insurance and financial service providers, repair service organisation, bus operators, train service, advisory organisation, advertising firms, manpower supplier etc., come under service entrepreneur's category.

2. Discuss the nature of functional entrepreneurs.

Classification According to Function

1. Innovating Entrepreneur

Innovative entrepreneur is one who is always focussed on introducing a new project or introducing something new in the venture already started. They constantly observe the environment around them; collect information and analyse

them in order to contribute something new in the venture. Their innovation may take the form of brand new product, upgraded product, discovering untapped market, new method of production, reengineering of existing product, new method of distribution of product, simplification of complex process, adoption of a distinct process and so on.

2. Imitative Entrepreneur

Imitative entrepreneur is one who simply imitates existing skill, knowledge or technology already in place in advanced countries. A simply reengineer or redesign the products developed in advanced countries and produce a version suited to their local conditions. For example, many electronic products invented in advanced countries are simply reengineered in developing countries. Similarly expensive medicines developed in advanced countries are simply reengineered by changing the composition of elements or changing the process of production.

3. Fabian Entrepreneur

These entrepreneurs are said to be conservatives and sceptical about plasticising any change in their organisation. They are of risk-averse type. They do not simply change to the changes happening in the environment. But they adapt themselves to the changes only as a last resort when they fear that non adaptability to changes will inevitably lead to loss or collapse of the enterprise. Their dealings are governed by customs, religion, tradition and past practices handed down to them by their ancestors. They would like to follow in the footsteps of predecessors. Example; Nursus coffee

4. Drone Entrepreneur

Drone entrepreneurs are those who are totally opposed to changes unfolding in the environment. They used to operate in the niche market. They are similar to fabian entrepreneur in doggedly pursuing their conventional practices. The main difference between fabian entrepreneur and drone entrepreneur lies in the fact that

while fabian entrepreneur adapts to changes eventually as a last resort, drone entrepreneur never adapts himself or herself to change, Example; Gopal Tooth powder

UNIT TEST QUESTIONS

I. Choose the Correct Answers:

1. Which of the following is the Activity of a

Business Entrepreneur?

- a. Production b. Marketing
c. Operation d. All of the above

2. Find the odd one out in context of **Trading**

Entrepreneur.

- a. Selling b.. Commission
c. Buying d. Manufacturing

3. **Corporate Entrepreneur is also called as**

- _____
- a. Intrapreneur b. Promoter
c. Manager d. Shareholder

4. Which of these is based on **Technology?**

- a. Modern b. Professional
c. Corporate d. Industrial

5. Which of the below is not a **Characteristic of a Fabian Entrepreneur?**

- a. Conservative b. Risk averse
c. Sceptical d. Adaptive

Answers:

1 d 2 d 3 b 4 b 5 d

II. Very Short Answer Questions:

1. What is the other name of business entrepreneur?
2. Mention the other name for corporate entrepreneur.
3. Who are agricultural entrepreneur?
4. Give some examples of pure entrepreneurs.

III. Short Answer Questions:

1. Who is a private entrepreneur?
2. Explain about the imitative entrepreneur.
3. Write about Fabian entrepreneur.

IV. Long Answer Questions:

1. Explain in detail on classification according to the type of business. (any 5)
2. Discuss the nature of functional entrepreneurs.

UNIT IX

ENTREPRUNERIAL UNIT DEVELOPMENT

CHAPTER 25

GOVERNMENT SCHEMES FOR ENTREPRENEURIAL DEVELOPMENT

CHAPTER SYNOPSIS

- 25.01 India's efforts at promoting Entrepreneurship and Innovations
- 25.02 Specific Entrepreneurship Schemes
- 25.03 Steps in promoting an entrepreneurial venture
- 25.04 Government of Tamil Nadu entrepreneurial schemes

Important Points

Startup India:

Through the Startup India initiative, Government of India promotes entrepreneurship by mentoring, nurturing and facilitating startups throughout their life cycle. Since its launch in January 2016, the initiative has successfully given a head start to numerous aspiring entrepreneurs. A 'Fund of Funds' has been created to help startups gain access to funding.

Make in India:

This scheme is designed to transform India into a global design and manufacturing hub, the Make in India initiative was launched in September 2014. It came as a powerful call to India's citizens and business leaders, and an invitation to potential partners and investors around the world to centralize information about opportunities in India's manufacturing sector. This has in turn

helped procure investments, foster innovation, develop skills, protect intellectual property and build best-in-class manufacturing infrastructure.

Digital India:

The Digital India initiative has been launched to modernize the Indian economy to make all government services available electronically. The initiative aims at transforming India into a digitally-empowered society and knowledge economy with universal access to goods and services.

7. Stand-Up India:

It was launched in 2015, Stand-Up India seeks to leverage institutional credit for the benefit of India's underprivileged. It aims at enabling economic participation of, women entrepreneurs, Scheduled Castes and Scheduled Tribes and share the benefit of Indian growth with the above mentioned categories. Towards this end, at least one woman and one individual from the SC or ST communities is granted loans between Rs.10 lakhs to Rs.1 crore to set up greenfield enterprises in manufacturing, services or the trading sector

I. Choose the Correct Answers:

1. The _____ initiative was launched

to modernize the Indian economy to make all governments services available electronically.

- a) Standup India b) Startup India
c) Digital India d) Make in India

2. _____ is designed to transform India

to a global design and manufacturing hub.

- a) Digital India b) Make in India
c) Startup India d) Design India.

3. _____ is the Government of India's endeavour to promote culture of innovation and entrepreneurship.

- a) AIM b) STEP
c) SEED d) AIC

4. _____ should cover aspects like sources of finance, technical know-how,

source of labour and raw material, market

potential and profitability.

- a) Technical Report b) Finance Report
c) Project Report d) Progress Report

5. _____ has to include the mechanism for managing venture in the project report.

- a) Banker b) Government
c) Lending Institutions d) Entrepreneur

Answers:

1 c 2 b 3 a 4 c 5 d

II. Very Short Answer Questions:

1. Name any two Governmental Entrepreneurial schemes.

1.Startup India

2. Make in India

2. Give a note on 'Digital India'.

Digital India:

The Digital India initiative has been launched to modernize the Indian economy to make all government services available electronically. The initiative aims at transforming India into a digitally-empowered society and knowledge economy with universal access to goods and services.

3. List down the two types of finance for Entrepreneur.

III. Short Answer Questions:

1. What is 'Startup India'?

Startup India:

Through the Startup India initiative, Government of India promotes entrepreneurship by mentoring, nurturing and facilitating startups throughout their life cycle. Since its launch in January 2016, the initiative has successfully given a head start to numerous aspiring entrepreneurs. A 'Fund of Funds' has been created to help startups gain access to funding.

2. Expand the following:

i) STEP ii) JAM iii) SEED

STEP**Support to Training and Employment****Programme for Women (STEP):**

STEP was launched by the Government of India's Ministry of Women and Child Development to train women who have access to formal skill training facilities, especially in rural India.

JAM**Jan Dhan-Aadhaar - Mobile (JAM):**

JAM, for the first time, is a technological intervention that enables direct transfer of subsidies to intended beneficiaries and, therefore, eliminates all intermediaries and leakages in the system, which has a potential impact on the lives of millions of Indian citizens.

SEED**Science for Equity Empowerment and Development (SEED):**

SEED aims to provide opportunities to motivated scientists and field level workers to undertake action-oriented, location specific projects for socio-economic gain, particularly in rural areas. SEED emphasizes equity in development, so that the benefits of technology accrue to a vast section of the population, particularly the disadvantaged.

IV. Long Answer Questions:**1. Explain any five Government Entrepreneurial schemes.****1. Startup India:**

Through the Startup India initiative, Government of India promotes entrepreneurship by mentoring, nurturing and facilitating startups throughout their life cycle. Since its launch in January 2016, the initiative has successfully given a head start to numerous aspiring entrepreneurs. A 'Fund of Funds' has

been created to help startups gain access to funding.

2. Make in India:

This scheme is designed to transform India into a global design and manufacturing hub, the Make in India initiative was launched in September 2014. It came as a powerful call to India's citizens and business leaders, and an invitation to potential partners and investors around the world to centralize information about opportunities in India's manufacturing sector. This has in turn helped procure investments, foster innovation, develop skills, protect intellectual property and build best-in-class manufacturing infrastructure.

3. Atal Innovation Mission (AIM):

AIM is the Government of India's endeavour to promote a culture of innovation and entrepreneurship, and it serves as a platform for promotion of world-class Innovation Hubs, Grand Challenges, start-up businesses and other self-employment activities, particularly in technology driven areas.

4. Support to Training and Employment**Programme for Women (STEP):**

STEP was launched by the Government of India's Ministry of Women and Child Development to train women who have access to formal skill training facilities, especially in rural India. The Ministry of Skill Development & Entrepreneurship and NITI (National Institution for Transforming India formally it is called as planning commission) Aayog recently redrafted the Guidelines of the 30-year-old initiative to adapt to present-day needs. The programme imparts skills in several sectors such as agriculture, horticulture, food processing, handlooms, traditional crafts like embroidery, travel and tourism, hospitality, computer and IT services.

5. Jan Dhan-Aadhaar - Mobile (JAM):

JAM, for the first time, is a technological intervention that enables direct transfer

of subsidies to intended beneficiaries and, therefore, eliminates all intermediaries and leakages in the system, which has a potential impact on the lives of millions of Indian citizens.

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It was launched in 2015, Stand-Up India seeks to leverage institutional credit for the benefit of India's underprivileged. It aims at enabling economic participation of, women entrepreneurs, Scheduled Castes and Scheduled Tribes and share the benefit of Indian growth with the above mentioned categories. Towards this end, at least one woman and one individual from the SC or ST communities is granted loans between Rs.10 lakhs to Rs.1 crore to set up greenfield enterprises in manufacturing, services or the trading sector.

2. Describe the steps promoting Entrepreneurial venture.

Selection of the product

An entrepreneur may select a product according to his aspiration, capacity and motivation after a thorough scrutiny of micro and macro environment of business. He/she may select a brand, new product or may like to select imitation one or he/she may improve upon an existing product in terms of additional features like comforts, convenience, ease of operation, lower price etc. An entrepreneur has to conduct economic viability of the project.

2. Selection of form of ownership

Entrepreneur has to choose the form of organisation suitable and appropriate for his venture namely family ownership, partnership and private limited company.

Family ownership and partnership forms of organisation are suited for exercising unified control over the venture while the company form of organisation may be preferred for pooling of more financial resources, managerial and technical skills and business experience for carrying on medium to large venture.

3. Selection of Site

Entrepreneur has to choose suitable plot for accommodating his venture. He has four options open to him for housing his venture.

These have been mentioned below.

- State Development Corporation like SIDCO, SIPCOT, MMDA, TNHB and Directorate of Industries may allot plot to entrepreneur

- Entrepreneur can have a factory sheds constructed by State Industrial Development Agency

- Entrepreneur can start ventures in the land developed by private developers

- Entrepreneur may buy private land and develop it for industrial use.

Following things may be considered in choosing the site namely:

- Nearness to Native Place

- Incentives provided by the Govt.

- Nearness to Market

- Availability of Labour and Raw Materials

in a particular area.

- Infrastructure Facilities

4. Designing Capital Structure

Entrepreneur has to determine the source of finance for funding the venture. He/she may mobilise funds from his own savings, loans from friends and relatives, term loans from banks and financial institutions.

5. Acquisition of Manufacturing know-how

Entrepreneur can acquire

manufacturing know-how from Government research laboratories, research and development divisions of industries, and individual consultants. At times, main units may supply manufacturing know-how to entrepreneurs

starting ancillary units or plant and machinery suppliers may provide this facility to entrepreneurs. Besides, manufacturing know-how can be obtained by foreign technical collaboration.

6. Preparation of project report

Project reports need to be prepared according to the format prescribed in the loan application form of term lending institutions. An entrepreneur can get the report prepared either by technical consultancy organisation or by auditors or by consultants or by development agencies.

This report should cover aspects like sources of finance, technical know-how, sources of labour and raw materials, market potential and profitability.

- a) Banker b) Government
c) Lending Institutions d) Entrepreneur

Answers:

1 c 2 b 3 a 4 c 5 d

II. Very Short Answer Questions:

1. Name any two Governmental Entrepreneurial schemes.
2. Give a note on 'Digital India'.
3. List down the two types of finance for Entrepreneur.

III. Short Answer Questions:

1. What is 'Startup India'?
2. Expand the following:
i) STEP ii) JAM iii) SEED

IV. Long Answer Questions:

1. Explain any five Government Entrepreneurial schemes.
2. Describe the steps promoting Entrepreneurial venture.

UNIT TEST QUESTIONS

I. Choose the Correct Answers:

1. The _____ initiative was launched

to modernize the Indian economy to make all governments services available electronically.

- a) Standup India b) Startup India
c) Digital India d) Make in India

2. _____ is designed to transform India

to a global design and manufacturing hub.

- a) Digital India b) Make in India
c) Startup India d) Design India.

3. _____ is the Government of India's endeavour to promote culture of innovation and entrepreneurship.

- a) AIM b) STEP
c) SEED d) AIC

4. _____ should cover aspects like sources of finance, technical know-how, source of labour and raw material, market potential and profitability.

- a) Technical Report b) Finance Report
c) Project Report d) Progress Report

5. _____ has to include the mechanism for managing venture in the project report.

UNIT X COMPANY LAW AND SECRETARIAL PRACTICE CHAPTER 26 COMPANIES ACT 2013

CHAPTER SYNOPSIS

- 26.01 Evolution and History of Company Law in India
- 26.02 The Companies Act 2013
- 26.03 Meaning and Definition of Company
- 26.04 Formation / Incorporation of Company
- 26.05 Share and Share capital
- 26.06 Issue of Shares, Bonus Shares and Rights Shares
- 26.07 Share Certificate and Share Warrant
- 26.08 Share and Stock
- 26.09 Debentures
- 26.10 Difference between Shares and Debentures

Important Points

The word 'company' is derived from the Latin word (Com=with or together; pains =bread), and it originally referred to an association of persons who took their meals together. A company is a corporate body and a legal person having status and personality distinct and separate from the members constituting it.

Accordingly, 'corporation' is a legal person created by a process other than natural birth. It is, for this reason, sometimes called artificial legal person. As a legal person, a corporate is capable of enjoying many of the rights and incurring many of the liabilities of a natural person.

In terms of the Companies Act, 2013 [Section 2(20)] "company" means a company incorporated under this Act or under any previous company law.

Lord Justice Lindley has defined a company as "an association of many persons who contribute money or money's worth to a common stock and employ it in some trade or business and who share the profit and loss arising there from.

I. Choose the Correct Answers:

1. The Company will have to issue the notice of situation of Registered Office to the Registrar of Companies within _____ days from the date of incorporation.
 - (a) 14 days (b) 21 days
 - (c) 30 Days (d) 60 Days
2. How does a person who envisages the idea to form a company called?
 - (a) Director (b) Company Secretary
 - (c) Registrar (d) Promoter
3. Which of the following types of shares are issued by a company to raise capital from the existing shareholders?
 - (a) Equity Shares (b) Rights Shares
 - (c) Preference Shares (d) Bonus Shares
4. The shares which are offered to the existing shareholder at free of cost is known as _____.
 - (a) Bonus Share (b) Equity Share
 - (c) Right Share (d) Preference Share

5. The shares which are offered first to the existing shareholder at reduced price is known as _____.

- (a) Bonus Share (b) Equity Share
(c) Right Share (d) Preference Share

Answers:

1 c 2 d 3 b 4 a 5 c

II. Very Short Answer Questions:

1. What are the four stages of formation of a company?

‘Formation of a Company’ has been divided into four stages:

1. Promotion
2. Registration
3. Capital Subscription and
4. Commencement of Business.

2. What is Bonus Shares?

Bonus Shares

A company may, if its Articles provide, capitalize its profits by issuing fully-paid bonus shares. The issue of bonus shares by a company is a common feature. In simple, Bonus share means to utilize the company’s reserves and surpluses, issue of shares to existing shareholders without taking any consideration is known as Bonus Shares. It can be issued by:

- (i) Making partly paid up shares as fully paid
- (ii) Issuing new shares

3. What is Right Shares?

Right Shares

Right shares are the shares which are issued by the company, with the aim of increasing the subscribed share capital of the company by further issue, if it is authorized by its Articles. The right shares are primarily issued to the existing equity shareholders through a letter of an issue, on pro rata basis

4. What is Debentures?

When a company needs funds for extension and development purpose without increasing its share capital, it can borrow from the general public by issuing certificates for a fixed period of time and at a fixed rate of interest. Such a loan certificate is called a debenture.

III. Short Answer Questions:

1. What do you understand by Issue of Securities at Premium?

Issue of Shares at Premium

When shares are issued at a price above the face or nominal value, they are said to be issued at a premium. For example, a share having the face value of Rs.10 is issued at Rs.12. Here, Rs.2 is the premium. The amount of share premium has to be transferred to an account called the ‘Securities Premium Account’. This account is capital in nature and can only be utilized for the purposes specified by the Act under Section 78 viz; Issue of fully paid bonus shares to members of the company.

- (i) To write off preliminary expenses.
- (ii) To write off the expenses of issue, or commission paid, or discount allowed, on issue of shares or debentures of the company.
- (iii) To provide for the payment of premium on the redemption of any redeemable preference shares or debentures of the company.

Thus, the Securities Premium Account cannot

be treated as a revenue reserve for distributing dividends. It can only be used for the above mentioned purposes and also for buying back of securities (section 77A). It must be noted that Security premium is not available for distribution of dividend.

2. Explain different kinds of Preference shares. (any 3)

Kinds of Preference shares

There are eight types of preference shares. In case of dissolution of the company, any of the eight types would be paid out before other types of equity.

Cumulative Preference shares: As the word indicates, all dividends are carried forward until specified, and paid out only at the end of the specified period.

Non-cumulative Preference shares: The opposite of cumulative, obviously. Dividends are paid out of profits for every year. There are no arrears carried over a time period to be paid at the end of the term

Redeemable Preference shares: Such preference shares can be claimed after a fixed period or after giving due notice.

Non-Redeemable Preference shares: Such shares cannot be redeemed during the lifetime of the company, but can only be obtained at the time of winding up (liquidation) of assets.

Convertible Preference shares: The shares can be converted into equity shares after a time period or as per the conditions laid down in the terms.

IV. Long Answer Questions:

1. Write the differences between Shares and Debentures. (any 5)
2. What are the various kinds of Debentures? (any 5)

Kinds of Debentures

Debentures are generally classified into different categories on the basis of:

- (1) Convertibility of the Instrument
- (2) Security of the Instrument
- (3) Redemption ability
- (4) Registration of Instrument

1. On the basis of convertibility, Debentures may be classified into following categories:

(i) Non Convertible Debentures (NCD): These instruments retain the debt character

and cannot be converted into equity shares.

(ii) Partly Convertible Debentures (PCD):

A part of these instruments are converted into Equity shares in the future at notice of the issuer. The issuer decides the ratio for conversion. This is normally decided at the time of subscription.

(iii) Fully convertible Debentures (FCD):

These are fully convertible into Equity shares at the issuer's notice. The ratio of conversion is decided by the issuer. Upon conversion the investors enjoy the same status as ordinary shareholders of the company.

(iv) Optionally Convertible Debentures (OCD):

The investor has the option to either convert these debentures into shares at a price decided by the issuer/agreed upon at the time of issue.

2. On the basis of Security, debentures are classified into:

(A) Secured Debentures: These instruments

are secured by a charge on the fixed assets of the issuer company. So if the issuer fails on payment of either the principal or interest amount, such fixed assets can be sold to repay the liability to the investors.

(B) Unsecured Debentures: These instrument are unsecured in the sense that if the issuer defaults on payment of the interest or principal amount, the investor has to be included as unsecured creditors of the company.

4. On the basis of Registration, debentures may be classified as

(A) A Registered Debentures: Registered debentures are issued in the name of a particular person, whose name appears on the debenture certificate and who is registered by the company as holder on the Register of debenture holders.

(B) Bearer debentures: Bearer debentures

on the other hand, are issued to bearer, and are negotiable instruments, and so transferable by mere delivery like share warrants.

UNIT TEST QUESTIONS

I. Choose the Correct Answers:

1. The Company will have to issue the notice

of situation of Registered Office to the Registrar of Companies within _____ days from the date of incorporation.

- (a) 14 days (b) 21 days
(c) 30 Days (d) 60 Days

2. How does a person who envisages the idea

to form a company called?

- (a) Director (b) Company Secretary
(c) Registrar (d) Promoter

3. Which of the following types of shares are

issued by a company to raise capital from

the existing shareholders?

- (a) Equity Shares (b) Rights Shares
(c) Preference Shares (d) Bonus Shares

4. The shares which are offered to the existing

shareholder at free of cost is known as

_____.

- (a) Bonus Share (b) Equity Share
(c) Right Share (d) Preference Share

5. The shares which are offered first to the

existing shareholder at reduced price is known as _____.

- (a) Bonus Share (b) Equity Share
(c) Right Share (d) Preference Share

II. Very Short Answer Questions:

1. What are the four stages of formation of a company?

2. What is Bonus Shares?
3. What is Right Shares?
4. What is Debentures?

III. Short Answer Questions:

1. What do you understand by Issue of

Securities at Premium?

2. Explain different kinds of Preference shares.

(any 3)

IV. Long Answer Questions:

1. Write the differences between Shares and

Debentures. (any 5)

2. What are the various kinds of Debentures?

(any 5)

UNIT X COMPANY LAW AND SECRETARIAL PRACTICE CHAPTER 27 COMPANY MANAGEMENT

Chapter Synopsis CHAPTER SYNOPSIS

- 27.01 Introduction, Meaning and Definition of Director
- 27.02 Key – Managerial Personnel of a Company
- 27.03 Board of Directors
- 27.04 Types of Directors as per Act 2013
- 27.05 Number of Directors
- 27.06 Legal position / Status of Director
- 27.07 Appointment of Director
- 27.08 Qualification of Director
- 27.09 Disqualification of Director
- 27.10 Removal of Director
- 27.11 Remuneration of Director
- 27.12 Power of Director
- 27.13 Rights of Director
- 27.14 Duties of Director
- 27.15 Liabilities of Director
- 27.16 Directorial Register
- 27.17 Manager Vs Director

Important Points

A Director is a person from a Board of Directors who leads or supervises the functioning of a company.

“First directors” mean those directors who hold office from the date of incorporation of the

company. The first directors are usually named in the articles of association or are appointed by the directors.

A Director of Company can be removed from his Office before the expiry of his term by

- a) the Shareholders
- b) the Central Government
- c) the Company Law Board

Directors act as agents of the shareholders and act as a trustees of shareholders. Thus they have a fiduciary duty to protect the property of the company. Simply stated the following are the duties of Directors.

I. Choose the Correct Answer:

1. A person Shall hold office as a director in

_____ companies as per the Companies Act, 2013.

- (a) 5 companies (b) 10 companies
- (c) 20 companies (d) 15 companies

2. A Private Company shall have a minimum of _____.

- (a) Seven directors (b) Five directors
- (c) Three directors (d) Two directors

3. A Public Company having a paid up Share

Capital of Rs. _____ or more may

have a Director, elected by such small shareholders.

- (a) One crore (b) Three crores
- (c) Five crores (d) Seven crores

4. What is the statue of Directors who regulate money of the company.

- (a) Banker (b) Holder
- (c) Agent (d) Trustees

5. According to Companies Act, the Directors must be appointed by the.

- (a) Central Government
- (b) Company Law Tribunal
- (c) Company in General Meeting
- (d) Board of Directors.

Answers:

1 c 2 d 3 c 4 d 5 c

II. Very Short Answer Questions:

1. Name the companies required to appoint KMP.

- (i) the Chief Executive Officer
- (ii) the Managing Director or the Manager;
- (iii) the Company Secretary;
- (iv) the Whole-time Director;
- (v) the Chief Financial Officer; and
- (vi) such other officer as may be prescribed;

2. Who is whole time Director?

Whole Time Director: A Director is one who devotes whole of his time of working hours to the company and has a significant personal interest in the company as the source of his income.

3. Who is called as Managing Director?

Managing Director: A Director is one who is employed by the company and has substantial powers of management over the affairs of the company subject to superintendence, direction and control of the board.

4. Who can be Executive Director?

Executive Director

An executive director is a **Chief Executive Officer** (CEO) or Managing Director of an organization, company, or corporation, who is responsible for making decisions to complete the mission and for the success of the organisation. In the globalised business world the title of President or of Chief Executive Officer is used instead of Managing Director.

III. Short Answer Questions:

1. When are alternative directors appointed ?

Alternate Directors: Alternate director is appointed by the Board of Directors, as a substitute to a director who may be absent from India, for a period which is not less than three months. The appointment must be authorised either by the Articles of Association of the company or by a passing a resolution in the General Meeting. The alternative director is not a representative or agent of Original Director.

2. Who is a shadow director?

Shadow Director: A person who is not the member of Board but has some power to run it can be appointed as the director but according to his/her wish.

3. State the minimum number of Directors for a Private company.

b) Private company

In case of One Person Company: The requirement of directors is one.

Other Private Companies: The minimum requirement of Directors is two.

IV. Long Answer Questions:

1. Who are the KMP?

WHO ARE THE KEY MANAGERIAL PERSONNEL ?

The definition of the term Key Managerial Personnel is contained in Section 2(51) of the

Companies Act, 2013. This Section states:

- (i) the Chief Executive Officer
- (ii) the Managing Director or the Manager;
- (iii) the Company Secretary;
- (iv) the Whole-time Director;
- (v) the Chief Financial Officer; and
- (vi) such other officer as may be prescribed;

2. Brief different types of Directors.
(5)

Types of Directors as per Companies Act 2013

1. Residential Director: – According to Section 149(3) of Companies Act 2013, Every company should appoint a director who has stayed in India for a total Period of not less than 182 days in the previous calendar year.

2. Independent Director: According to Section 149(6) an independent director is an alternate director other than a Managing Director who is known as Whole Time Director

Or Nominee Director. The following type of companies has to appoint minimum Two

independent directors:-

a) Public Companies which have Paid-up Share Capital- ₹10 Crores or More; –

3. State the qualification of Directors.

b) Public Companies which have Turnover- ₹100 Crores or More:-

c) Public Companies which have total outstanding loans, debenture, and deposits of ₹50 Crores or More.

3. Small Shareholders Directors: Small shareholders can appoint a single director in a listed company. But this action needs a proper procedure like handing over a notice to at least 1,000 Shareholders or 1/10th of the total shareholders.

4. Nominee Director: "A director nominated by any financial Institution in pursuance of the provisions of any law for the time being in force, or of any agreement, or appointed by any Government , or any other person to represent its interests".

From the above,

a) should be nominated by any financial Institution in pursuance of any law or in terms of an agreement entered into by the company

b) could be appointed by the Government or by any other person.

c) The person so appointed shall represent the interests of the organization /Institution which he represents.

5. Women Director: As per Section 149 (1) (a), there are certain categories according to which there should be at least one woman as a director on the Board. The following class of companies shall appoint at least one woman director

(i) every listed company;

(ii) every other public company having:

(a) paid-up share capital of one hundred crore rupees or more; or

(b) turnover of three hundred crore rupees or more.

6. Additional Directors: Any Individual can

be appointed as Additional Directors by a company.

7. Alternate Directors: Alternate director is appointed by the Board of Directors, as a substitute to a director who may be absent from India, for a period which is not less than three months. The appointment must be authorised either by the Articles of Association of the company or by a passing a resolution in the General Meeting. The alternative director is not a representative or agent of Original Director.

8. Shadow Director: A person who is not the member of Board but has some power to run it can be appointed as the director but according to his/her wish.

3. State the qualification of Directors.

the following

qualifications may be mentioned:

1. A director must be a person of sound mind.

2. A director must hold share qualification, if

the article of association provides such.

3. A director must be an individual.

4. A director should be a solvent person.

5. A director should not be convicted by the

Court for any offence, etc.

Disqualifications of a director

Section 164 of Companies Act, 2013, has mentioned the disqualification as mentioned below:

- a) A person shall not be capable of being appointed director of a company, if the director is
- Of unsound mind
 - An undercharged insolvent;
 - Has been convicted by a court for any offence involving moral turpitude and sentenced in respect thereof to imprisonment for not less than six months
 - Has not paid any call in respect of shares of the company held by him, whether alone or jointly with others.
 - An order disqualifying him for appointment as director has been passed by a court in pursuance of section 203
 - He has been convicted of the offence dealing with related party transactions under section 188.
 - He has not got the Director Identification Number.

UNIT TEST QUESTIONS

I. Choose the Correct Answer:

1. A person shall hold office as a director in

_____ companies as per the Companies Act, 2013.

- (a) 5 companies (b) 10 companies
(c) 20 companies (d) 15 companies

2. A Private Company shall have a minimum of _____.

- (a) Seven directors (b) Five directors
(c) Three directors (d) Two directors

3. A Public Company having a paid up Share

Capital of Rs. _____ or more may

have a Director, elected by such small shareholders.

- (a) One crore (b) Three crores
(c) Five crores (d) Seven crores

4. What is the statue of Directors who regulate money of the company.

- (a) Banker (b) Holder
(c) Agent (d) Trustees

5. According to Companies Act, the Directors must be appointed by the.

- (a) Central Government
(b) Company Law Tribunal
(c) Company in General Meeting
(d) Board of Directors.

Answers:

1 c 2 d 3 c 4 d 5 c

II. Very Short Answer Questions:

- Name the companies required to appoint KMP.
- Who is whole time Director?
- Who is called as Managing Director?
- Who can be Executive Director?

III. Short Answer Questions:

- When are alternative directors appointed ?
- Who is a shadow director?
- State the minimum number of Directors for a Private company.

IV. Long Answer Questions:

- Who are the KMP?
- Brief different types of Directors. (5)
- State the qualification of Directors.

I

UNIT X COMPANY LAW AND SECRETARIAL PRACTICE

CHAPTER 28 COMPANY SECRETARY

CHAPTER SYNOPSIS

- 28.01 Company Secretary
- 28.02 Qualifications of Company Secretary
 - 28.02.01 Statutory Qualifications
 - 28.02.02 Other Qualifications
- 28.03 Appointment of Company Secretary
- 28.04 Functions/ Duties of Company Secretary
 - 28.04.01 Statutory Functions
 - 28.04.02 Non-Statutory Functions
- 28.05 Powers and Rights of Company Secretary
- 28.06 Removal / Dismissal of Company Secretary
- 28.07 Company Meetings
- 28.08 Kinds of Company Meetings
 - 28.08.01 Shareholders Meetings
 - 28.08.02 Meeting of the Board of Directors
 - 28.08.03 Special Meeting
- 28.09 Resolution
 - 28.09.01 Kinds of Resolution
- 28.10 Voting

A company is an artificial being, though a company is a legal entity; it has no physical personality such as neither a mind nor body of its own. Though not visible, company having an image or appearance exists only with its rules and by laws.

Any company cannot act by itself; it needs one or group of people to operate it.

Besides operating the company there are numbers of functions holding responsibility and need to take care such as directing the work force towards productivity, managing the smooth functioning, supervising the overall performance of the company. The person who is responsible for the general performance of an organization is called company secretary.

The Key Managerial Personnel (KMP) who run a company is called with different titles viz, directors, managers, or secretary

Kinds of Company Meetings

Under the Companies Act, 2013, Company meetings can be classified as under:

1. Meetings of Shareholders:

- (a) Statutory Meeting
- (b) Annual General Meetings (AGM)
- (c) Extraordinary General Meetings (EGM)

2. Meetings of the Directors

- (a) Board meetings
- (b) Committees meetings

3. Special Meetings

- (a) Class Meetings.
- (b) Creditors and of Debenture/bond holders meetings

I. Choose the Correct Answer:

1. Mention the status of a Company Secretary

in a company.

- a) A member b) A director
- c) An independent d) An employee contractor

2. Who can become a secretary for a company?

- a) Individual person b) Partnership firm
- c) Co-operative societies d) Trade unions

3. Which meeting will be held only once in the life time of the company?

- a) Statutory b) Annual General
- c) Extra - ordinary d) Class General

4. Who is not entitled to speak at the annual general meeting of the company.

- a) Auditor b) Shareholder
c) Proxy d) Directors

5. From the date of its incorporation the First Annual General Meeting is to be conducted within _____ months.

- (a) Twelve (b) Fifteen
(c) Eighteen (d) Twenty one

Answers:

1 d 2 a 3 a 4 c 5 c

II. Very Short Answer Questions:

1. Who is a Secretary?

According to Section 2(24) of the Companies Act, 2013 defines “Company Secretary” or “Secretary” means any individual possessing the prescribed qualifications, appointed to perform the duties which may be performed by a secretary under this Act and any other ministerial or administrative duties”.

2. What is meant by Meeting?

Company Meetings

A company meeting must be convened and held in perfect compliance with the various provisions of the Act and the rules framed thereunder. It is essential that the business dealt with at the meetings, should be validly transacted and not liable to be questioned later due to any irregularity.

3. Write short note on ‘Proxy’?

PROXY

Proxy means a person being the representative of a shareholder at the meeting of the company who may be described as his agent to carry out which the shareholder has himself decided upon. Proxy can be present at the meeting and he cannot vote.

4. What is Voting?

Voting

The word ‘Vote’ originated in Latin word ‘Votum’ indicating one’s wishes or desire. By casting his vote one formally declaring his opinion or wish in favour of or against a proposal or a candidate to be elected for an office.

III. Short Answer Questions:

1. What is Special Resolution?

Special Resolution

A special resolution is the one which is passed by a not less than 75% of majority. The number of votes, cast in favour of the resolution should be three times the number of votes cast against it. The intention of proposing a resolution as a special resolution must be specifically mentioned in the notice of the general meeting.

2. What do you mean by Statutory Meeting?

Statutory Meeting

According to Companies Act, every public company, should hold a meeting of the shareholders within 6 months but not earlier than one month from the date of commencement of business of the company. This is the first general meeting of the public company is called the Statutory Meeting.

3. Give any three cases in which an ordinary resolution need to be passed.

IV. Long Answer Questions:

1. Briefly state different types of company meetings.

Kinds of Company Meetings

Under the Companies Act, 2013, Company meetings can be classified as under:

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3. Special Meetings

- (a) Class Meetings.
- (b) Creditors and of Debenture/bond holders meetings

The following picture shows the different types of company meetings

Shareholders Meetings

The meeting held with the shareholders of the company is called shareholders meeting.

The shareholders meeting can be classified as statutory meeting, annual general meeting and extra ordinary general meeting.

a) Statutory Meeting

According to Companies Act, every public company, should hold a meeting of the shareholders within 6 months but not earlier than one month from the date of commencement of business of the company.

This is the first general meeting of the public company is called the Statutory Meeting. This meeting is conducted only once in the lifetime of the company. A private company or a public company having no share capital need not conduct a statutory meeting. The company gives the circular to shareholders before 21 days of the meeting.

b) Annual General Meeting [AGM]

Every year a meeting is held to transact the ordinary business of the company. Such meeting is called Annual General Meeting of the company (AGM). Company is bound to invite the first general meeting within eighteen months from the date of its registration. Then the general meeting will be held once in every year. The differences between two general meetings should not be more than fifteen months. Every Annual General meeting shall be held during business hours, on a

day which is not a public holiday, at the Registered Office of the company or at some other place within the town or village where the Registered Office is situated

AGM should be conducted by both private and public Ltd companies.

c) Extra-Ordinary General Meeting

Both Statutory meeting and annual general meetings are called as ordinary meetings of a company. All other general meetings other than statutory and annual general meetings are called extraordinary general meetings. If any meeting conducted in between two annual general meeting to deal with some urgent or special or extraordinary nature of business is called as extra-ordinary general meetings.

Meeting of the Directors

Since the administration of the company lies in the hands of the board of directors, they should meet frequently for the proper conduct of the business and to decide policy matters of the company.

a) Board Meetings

Meetings of directors are called Board Meetings. Meetings of the directors provide a platform to discuss the business and take formal decisions. First meeting of directors should be convened within 30 (Thirty) days from the date of incorporation of the company.

b) Committee Meetings

Every listed company and every other public company having paid up share capital of ₹10 crore is required to have audit committee. This committee should meet at least four times in a year. In case of other companies, the board of directors shall nominate a director to play the role of audit committee which is functioning as a vigil mechanism.

2. Explain different types of open and secret types of voting.

Procedures of Voting

There are two distinct procedures of voting

viz., Open and Secret procedures.

I. Open Procedure

This type of voting has no secrecy as the all the members assembled can see voting. There are two popular methods of open voting namely voice voting and voting by show of hands.

(a) By Voice:

Voice voting is a popular type of voting in which the chairman allows the members to raise their voice in favour or against an issue 'Yes' for approval and 'No' for rejection. Chairman announces the result of voice voting on the basis of strength of words shouted. It is an unscientific method. It cannot be employed for deciding complex issue.

(b) By Show of Hands:

Under this method the chairman, requests the members to raise their hands of those who are in favour of the proposal or candidate and then requests those are against. Then the chairman counts the number of hands raised for Yes and No respectively can announce the result on the basis of hands counted.

II. Secret Procedure

Secret procedure is adopted to decide certain vital issues. It is a popular voting method that could maintain the secrecy of the voter.

a) By Ballot

Under this system, ballot paper bearing serial number is given to the members to record their opinion by marking with the symbol or Shareholders have to cast their vote in a secret chamber and put the ballot paper into the ballot box. The chairman opens the ballot box in the presence of tellers or scrutinizers and counts the votes. He rejects the defective or wrongly marked ballot papers. The votes are counted and the results are announced.

b) Postal Ballot

Big companies or big associations having

members scattered all over the country follow this method of voting. Under this method serially numbered ballot papers are sent by post in sealed covers to the members, who, living at a distant place, are unable to attend the meeting physically. The members or voters fill in the ballot papers and return them in sealed covers which are opened when the ballot box is opened for counting the votes.

UNIT TEST QUESTIONS

I. Choose the Correct Answer:

1. Mention the status of a Company Secretary

in a company.

- a) A member b) A director
c) An independent d) An employee contractor

2. Who can become a secretary for a company?

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conducted within _____ months.

- (a) Twelve (b) Fifteen
(c) Eighteen (d) Twenty one

Answers:

1 d 2 a 3 a 4 c 5 c

II. Very Short Answer Questions:

- Who is a Secretary?
- What is meant by Meeting?
- Write short note on 'Proxy'?
- What is Voting?

III. Short Answer Questions:

- What is Special Resolution?
- What do you mean by Statutory Meeting?

3. Give any three cases in which an ordinary resolution need to be passed.

IV. Long Answer Questions:

1. Briefly state different types of company meetings.
2. Explain different types of open and secret types of voting.