



# K V MATRIC. HR. SEC.SCHOOL

CREATIVITY \* PROSPERITY\* ACHIEVEMENT

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**“TEACHERS OPEN THE DOOR, BUT YOU MUST ENTER BY YOURSELF” – CHINESE PROVERB.**

12 STD – COMMERCE- EM- MINIMUM LEARNING MATERIALS – 2022-23

UNIT - 1

## PRINCIPLES OF MANAGEMENT

### 1) EXPLAIN THE CONCEPT OF MANAGEMENT:

#### 📖 Body of knowledge :

- ✎ Management has now developed into a specialized body of Management Theory and Philosophy.
- ✎ It is growing in all the Countries.
- ✎ Management knowledge is the best passport to enter the world of employment either in the business world / Government/ Private.
- ✎ **Separate Discipline :**
- ✎ Management studies in many universities and institutions of higher learning are recognized as separate discipline.
- ✎ 1951, Many specialized schools of management are offering Master's Degrees in MBA and MBM
- ✎ **Management tools.**
- ✎ Tools of Management have been developed such as Data processing, psychology, Business Law, Accounting, Statistics, Econometrics, etc.,
- ✎ **Specialization :**
- ✎ There is a growing tendency to select and appoint highly qualified trained and experienced persons to manage the business in each functional area of management
- ✎ **Professional Association:**
- ✎ The Business Management Association in many countries helps to promote the spread of knowledge in all management areas and to build up the bright public image of the managerial profession.

### 2) Explain the principles of Modern Management.

#### Division of Work:

- 📖 According to this principle these whole work is divided into small task.
- 📖 It is known Departmentation.

#### Authority and Responsibility

- 📖 Authority means the right of a superior to give orders to his subordinates to get work from them.
- 📖 Responsibility means Obligation for performances.

#### Team Spirit :

- 📖 Team Spirit helps to develop an atmosphere of mutual trust and understanding and to finish the on time

#### Unity of Command :

- 📖 This principle states that each subordinate should receive orders and be accountable to one and only one superior.
- 📖 If a Subordinate receives orders from more than one superior, it creates confusion and conflict.

### Unit 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.

### 3) Explain the various functions of Management.

#### Planning :

- ✘ Planning is the primary function of management.
- ✘ Nothing can be performed without planning.
- ✘ It refers to deciding in Advance.

#### Staffing :

- ✘ Staffing Functions comprise the activities of selection and Placement of competent personnel.
- ✘ It includes the selection of the right persons enforcing the right job and training for those needy persons, promotion of the best persons, and retirement of old people.
- ✘ The success of any enterprise depends upon the successful performance of the staffing function.

#### Directing :

- ✘ Directing denotes motivating, leading, guiding and communicating with Subordinates on an ongoing basis to accomplish pre-set goals.

#### Motivation :

- ✘ The Goals are achieved with the help of motivation.
- ✘ The workers expect fair treatment, monetary / Non monetary incentive, effective communication and generation approach

#### Decision Making

- ✘ Every Employee of an organization has to take a number of every day.
- ✘ It helps in the smooth functioning of an organization.

### **UNIT - 1**

### **CHAPTER -3**

### **MANAGEMENT BY EXCEPTION (MBE)**

### 4) What are the major advantages of MBO? (Any 5).

#### Major advantages of MBO:

- ✘ The responsibility of a worker is fixed through MBO
- ✘ MBO process helps the managers to understand their role in the total organisation.
- ✘ Manager recognises the need for planning and appreciates the planning.
- ✘ MBO provides a foundation for participative management. Sub-ordinates are also involved in goal setting.
- ✘ Systematic evaluation of performance is made with the help of MBO.
- ✘ MBO gives the criteria of performance. It helps to take corrective action.
- ✘ Delegation of authority is easily done with the help of MBO.
- ✘ MBO motivates the workers by job enrichment and makes the jobs meaningful.

### 5) What are the advantages of MBE? (Any 5).

#### Advantages of MBE

- ✘ It saves the time of managers because they deal only with exceptional matters. Routine problems are left to subordinates.
- ✘ MBE keeps management alert to opportunities and threats by identifying critical problems.
- ✘ MBE Provides better yardsticks for judging results.
- ✘ It focuses managerial attention on major problems. As a result, there is better Utilisation of managerial talents and energy.
- ✘ It facilitates delegation of authority. Top management concentrates on strategic decisions and operational decisions are left to the lower levels.

## 6) Discuss the disadvantages of MBE.

Disadvantages of MBE.

- ✘ 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.
- ✘ 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.

## UNIT – II- FINANCIAL MARKETS

## CHAPTER -4

## 4. INTRODUCTION TO FINANCIAL MARKETS

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

BASIS FOR COMPARISON	NEW ISSUE MARKET	SECONDARY MARKET
Buying	Direct	Indirect
Buying and Selling between	Company and Investors	Investors
Gained person	Company	Investors
Intermediary	Underwriters	Brokers
Price	Fixed price	Fluctuates, depends on the demand and supply force

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

## 📖 Debt Market:

- ✘ Debt Market is the financial market for trading in Debt Instrument.
- ✘ Government Bonds or Securities, Corporate Debentures or Bonds)

## 📖 Primary Market :

- ✘ 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.

## 📖 Secondary Market

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

## 📖 Cash/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**.

## 📖 Money Market

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

## 📖 Capital Market

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

9) Discuss the role of Financial Market.

Role of Financial Market:

📖 **Savings Mobilization:**

- ✂ 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.

📖 **Investment Financial market**

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

📖 **National Growth:**

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

📖 **Entrepreneurship Growth:**

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

📖 **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.

UNIT - II- FINANCIAL MARKETS

CHAPTER -5

**5. CAPITAL MARKETS**

10) Discuss the characters of a Capital Market.

Characters of a Capital Market:

📖 **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.

📖 **Price :**

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

📖 **Participants :**

- ✂ There are many players in the capital market.
- ✂ (i,e) Individuals, corporate sectors, Govt., banks and other financial institutions.

📖 **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.

📖 **Market for Financial Assets:**

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

11) Briefly explain the functions of Capital Market. (Any 5).

Functions of Capital Market

📖 **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.

**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.

**Reliable Guide to Performance:**

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

**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.

**Development of Backward Areas:**

- Capital Markets provide funds for projects in backward areas.
- This facilitates economic development of backward areas.
- Long term funds are also provided for development projects in backward and rural areas.

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

**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.

**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 nation wide **electronic screen based "scripless" and "floorless"** trading system in securities..

**National Securities Depositories Limited (NSDL):**

- The NSDL was set up in the year **1996** for achieving a time bound dematerialization as well as re-materialization of shares.
- The NSDL is expected to ease the problems of post trade transactions in the secondary market.

**Stock Holding Corporation of India Limited (SHCIL):**

- SHCIL aims at serving as a central securities depository in respect of transactions on stock exchanges.
- The Corporation also takes up the administration of clearing functions at a national level.

**Venture Fund Institutions:**

- Venture capital financing is a form of equity financing designed especially for **funding new and innovative project ideas**.
- They include Risk Capital Foundation of IFCI, Venture Fund of IDBI, SIDBI, Technology Development and Infrastructure Corporation of India (TDICI), and others.

**UNIT - II- FINANCIAL MARKETS**

**CHAPTER -5**

**6. MONEY MARKET**

**13) Differentiate between the Money Market and Capital Market**

Features	Money Market	Capital Market
Risk	Low credit and market risk.	High credit and market risk.
Liquidity	High liquidity in Money Market	Low liquidity in Capital Market
Regulator	Central Bank is the Regulator of Money Market	Besides Central Bank, Special regulatory authority like SEBI, etc
Underwriting	It is not a primary function.	It is a primary function
Dominant Institutions	Commercial Banks	Non-banking financial companies and special financial institutions.

14) Explain the characteristics of Money Market?

**Short-term Funds:**

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

**Maturity Period:**

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

**Conversion of Cash:**

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

**Wholesale Market**

It is a wholesale market and the volume of funds or financial assets traded in the market is very large.

**Flexibility**

Due to greater flexibility in the regulatory framework, there are constant endeavours for introducing new instruments.

**Sub-markets**

It is not a single homogeneous market.

It includes of several sub-markets each specializing in a particular type of financing.

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

15) What are the characteristics of Government Securities?

Characteristics of Government or Gilt-Edged Securities Market:

**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'

**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'.

**Participants:**

The Government sector comprising Central and State Governments whose holdings represent governmental transfer of resources.

**Issue Mechanism:**

The **Public Debt Office** (PDO) of the RBI undertakes to issue government securities.

**Issue opening:**

The issue of the securities is made a **few days before the public subscription is open**.

**RBI Special Role:**

RBI takes a special and an active role in the purchase and sale of these securities.

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**CHARACTER IS REPEATED HABITS, AND REPEATED HABITS ALONE CAN REFORM CHARACTER.**

**"EDUCATION IS ONE THING NO ONE CAN TAKE AWAY FROM YOU." — ELIN NORDEGREN.**

**EDUCATION IS THE MANIFESTATION OF THE PERFECTION ALREADY IN MAN.**

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