

AADARSH COMMERCE GUIDE

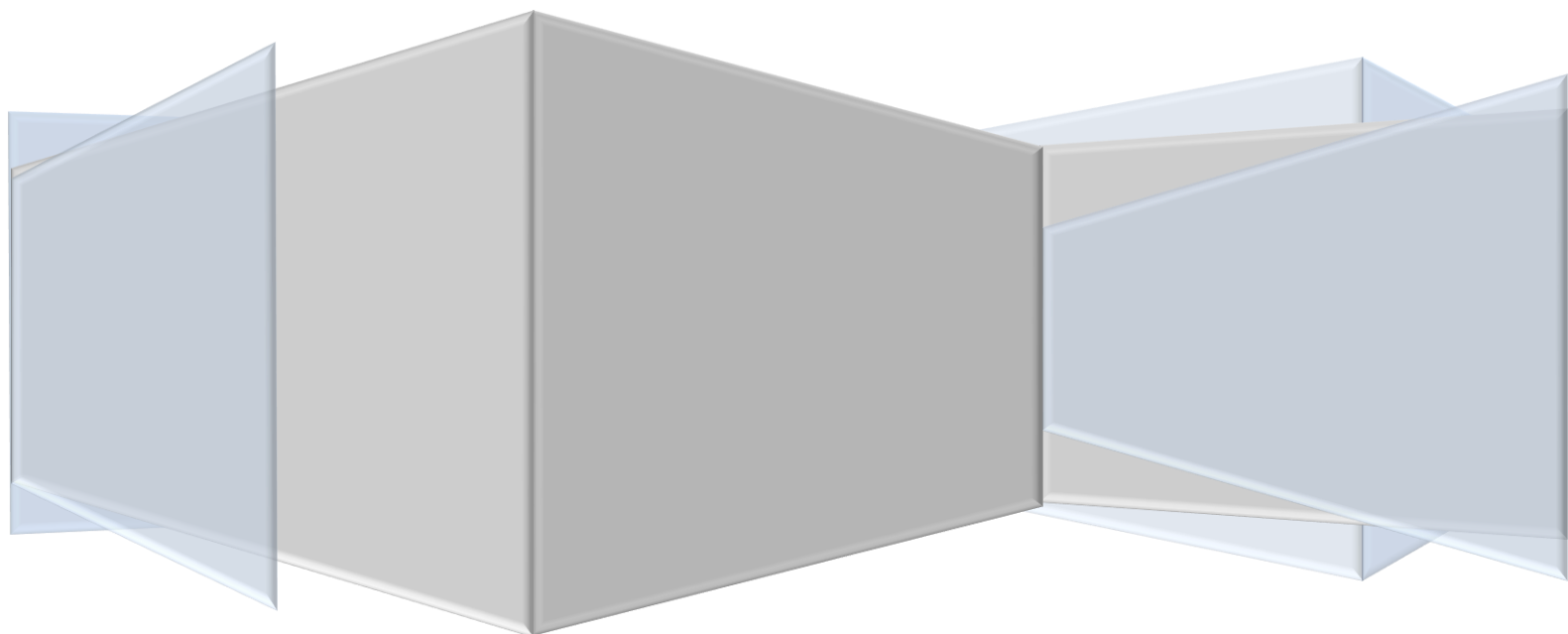
XII- COMMERCE

STUDY NOTES (2019-20)

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Note: Chapter 9 Long answer Q.No 4 updated

Chapter 8 Short answer Q.No 3 updated

CHAPTER 1: PRINCIPLES OF MANAGEMENT

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I .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.

- 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. Who is a manager?

- According to P. Drucker, the manager has to balance and integrate three major jobs of a business enterprise as mentioned below
 - (i) Managing a business;
 - (ii) Managing manager; and
 - (iii) Managing workers and work.
- A manager is a dynamic and life-giving element in every business.

4. State the meaning of Authority.

- Authority means the right of a superior to give the order to his subordinates

5. 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.

II. SHORT ANSWER QUESTIONS:**1. Define the term management.**

“Management is a multipurpose organ that manages a business and manages manager, and manages worker and work.”

— Peter F. Drucker

“To manage is to forecast, to plan, to organise, to command, to co-ordinate and to control.”

— Henry Fayol.

2. Is management an Art or Science?

- 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 globalized environment of business.

3. Differentiate management from 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
Role	Executive	Decisive
Concerned with	Policy Implementation	Policy Formulation

4. 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.

5. What determines the span of management?

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The Span of Management refers to the number of subordinates who can be managed efficiently by a superior.

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

III. Long answer questions:**1. Write about the contribution of Drucker to management.**

Drucker stresses three jobs of management:

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

Even if one is omitted, It would not have management anymore and it also would not have a business enterprise or an industrial society.

According to P. Drucker, the manager has to balance and integrate three major jobs of a business enterprise as mentioned above. Hence, a manager is a dynamic and life giving element in every business. Without efficient management it cannot be secure the best allocation and utilisation of human, material and financial resources.

2. Explain the management process in detail.**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.

3. Describe the principles of scientific management.

Mr. Frederick Winslow Taylor (F.W. Taylor) brought about a scientific approach.

1. Science, Not Rule of Thumb:

- ✓ 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 principle is concerned with selecting the best way of performing a job through the application of scientific analysis and not by intuition or hit and trial methods.

2. Harmony, Not Discord:

- ✓ Taylor emphasized that there should be complete harmony between the workers and the management
- ✓ Both the management and the workers should realize the importance of each other.
- ✓ Management should always be ready to share the gains of the company with the workers and the latter should provide their full cooperation and hard work for achieving organizational goals.

3. Mental Revolution:

- ✓ Management as well as the workers should aim to increase the profits of the organisation.
- ✓ workers should put in their best efforts so that the company makes profit and on the other hand management should share part of profits with the workers.
- ✓ Thus, mental revolution requires a complete change in the outlook of both management and workers.

4. Cooperation, Not Individualism:

- ✓ Cooperation, mutual confidence, sense of goodwill should prevail among both, managers as well as workers.
- ✓ Workers should be considered as part of management and should be allowed to take part in decision making process of the management.
- ✓ workers should also resist from going on strike or making unnecessary demands from management.

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.
- ✓ To attain the efficiency, steps should be taken right from the process of selection of employees.
- ✓ The work assigned to each employee should suit his/her physical, mental and intellectual capabilities.
- ✓ This ultimately helps to attain efficiency and prosperity for both organisation and the employees.

4. Explain the principles of modern management.

The Father of Modern Management is Mr. Henry Fayol, and according to him there are 14 major principles of management.

- 1. Division of Work:** According to this principle the whole work is divided into small tasks. It leads to specialization which increases the efficiency of labour.
- 2. Authority and Responsibility:** 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.
- 8. The Degree of Centralization:** Centralization implies the concentration of decision making authority at the top management, it depends on company size.
- 9. Line of Authority/Scalar Chain:** The principle suggests that there should be a clear line of authority from top to bottom linking all managers at all levels.
- 10. Order:** Social order ensures the fluid operation of a company through authoritative procedure. Material order ensures safety and efficiency in the workplace. Order should be acceptable and under the rules of the company.
- 11. Equity:** Employees must be treated kindly. Managers should be fair and impartial when dealing with employees, giving equal attention towards all employees.

- 12. Stability of Tenure of Personnel:** Stability of tenure of personnel is a principle stating that in order for an organization to run smoothly, personnel (especially managerial personnel) must not frequently enter and exit the organization.
- 13. Initiative:** Using the initiative of employees can add strength and new ideas to an organization. Initiative on the part of employees is a source of strength for organization because it provides new and better ideas.
- 14. Esprit de Corps/Team Spirit:** This refers to the need of managers to ensure and develop morale in the workplace; individually and communally. Team spirit helps develop an atmosphere of mutual trust and understanding. Team spirit helps to finish the task on time.

5. Discuss the implications of 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
 - There is a wide and a narrow span of management.

Wide Span of Management:

- there will be less hierarchical levels, and thus, the organizational structure would be flatter
- 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.
- Number of managers gets reduced in the hierarchy, and thus, the expense in terms of remuneration is saved.
- The subordinates feel relaxed and develop their independent spirits in a free work environment, where the strict supervision is absent.

Narrow span of Management:

- The hierarchical levels increases, hence the organizational structure would be tall and more challenges.
- Less number of subordinates under one superior, requires more managers to be employed in the organization.
- It would be very expensive in terms of the salaries to be paid to each senior.
- Communication suffers drastically.
- Lack of coordination and control because the operating staff is far away from the top management.
- 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.

All the Best!

Chapter 2: FUNCTIONS OF MANAGEMENT:**I. Very Short Answer Questions:****1. Write a short note about Planning.**

- ✓ Planning is the primary function of management. Nothing can be performed without planning.
- ✓ Planning refers to deciding in advance. Planning should take place before doing.

2. What is meant by Motivation?

- ✓ It is the process of stimulating people to actions to accomplish the goal.
- ✓ Motivation includes increasing the speed of performance of a work and developing a willingness on the part of workers.

3. What is meant by Controlling?

- ✓ It is the control function which facilitates synchronization of actual performance with predetermined standards.
- ✓ Controlling is performed to evaluate the performance of employees and deciding increments and promotion decisions.

4. How do you coordinate your classroom with peace?

Peace starts with each individual, and the way you act affects the world around you." Allow the children to respond. Express your interest in getting to know each student and your willingness to be there for them if they have a problem. You might say something like: "I want us to have a great year together.

5. What is meant by Innovation?

- ✓ Innovation refers to the preparation of personnel and organisation to face the changes made in the business world.
- ✓ Innovation includes developing new material, new products, new techniques in production, new package, and new design of a product and cost reduction.

II. Short Answer Questions:**1. List out the main functions of management?**

- Planning
- Organizing
- Staffing
- Directing
- Motivating
- Controlling
- Coordination

2. State the importance of staffing.

- Staffing refers to placement of right persons in the right jobs.
- The success of any enterprise depends upon the successful performance of staffing function.
- Staffing helps to ensure better utilization of human resources.
- It ensures the continuity and growth of the organization, through development managers.

3. Bring out the subsidiary functions of management.

- ✓ **Innovation**- Innovation refers to the preparation of personnel and organisation to face the changes made in the business world.
- ✓ **Representation**- A manager has to act as representative of a company. It is the duty of every manager to have good relation with others
- ✓ **Decision making**- Decision making 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.

4. State the importance of Motivation.

- ✓ Mainly because it allows management to meet the company's goals.
- ✓ Motivated employees can lead to increased productivity and allow an organisation to achieve higher levels of output.
- ✓ Motivation is an important factor which brings employees satisfaction.

5. What are the main duties of a manager?

- ✓ The primary role of a manager is to ensure the daily functioning of a department or group of employees.
- ✓ Most employers expect their managers to interview, hire, and train new employees.
- ✓ A manager articulates both short and long-term goals to ensure a company's longevity.
- ✓ Managers complete administrative work and correspond with other departments.

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III. Long Answer Questions:

1. Explain the various functions of management.

Main Functions:

1. **Planning:** Planning is the primary function of management. Nothing can be performed without planning. Planning refers to deciding in advance. Planning should take place before doing.
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.
3. **Staffing:** staffing refers to placement of right persons in the right jobs. 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.
5. **Motivating:** It is the process of stimulating people to actions to accomplish the goal. Motivation includes increasing the speed of performance of a work and developing a willingness on the part of workers.
6. **Controlling:** It is the control function which facilitates synchronization of actual performance with predetermined standards.
7. **Co ordination:** Co-ordination is the synchronization of the actions of all individuals, working in the enterprise in different capacities.

Subsidiary Functions:

1. **Innovation:** Innovation refers to the preparation of personnel and organisation to face the changes made in the business world.
2. **Representation:** A manager has to act as representative of a company. 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. Decision making helps in the smooth functioning of an organization.
4. **Communication:** Communication is the transmission of human thoughts, views or opinions from one person to another person.

Hard work never fails.

Chapter 3: MANAGEMENT PROCESS:**I. Very Short Answer Questions:****1. Define - MBO**

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.

2. What are the objectives of MBO?

- ✓ To measure and judge performance
- ✓ To relate individual performance to organisational goals
- ✓ To clarify both the job to be done and the expectations of accomplishment
- ✓ To enhance communications between superiors and subordinates

3. Bring out the meaning of MBE.

- ✓ Management by exception is a style of business management that focuses on identifying and handling cases that deviate from the norm.
- ✓ Management by exception is the practice of examining the financial and operational results of a business, and only bringing issues to the attention of management if results represent substantial differences from the budgeted or expected amount.

4. Mention any two advantages of MBO?

- ✓ MBO process helps the managers to understand their role in the total organisation.
- ✓ Manager recognises the need for planning and appreciates the planning.
- ✓ Systematic evaluation of performance is made with the help of MBO

5. Write any two importance of MBE.

- ✓ It saves the time of managers because they deal only with exceptional matters. Routine problems are left to subordinates.
- ✓ It focuses managerial attention on major problems. As a result, there is better utilisation of managerial talents and energy

6. What is known as KRA?

- ✓ 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.

II. Short Answer Questions:**1. Write the features of MBO.**

- ❖ MBO tries to combine the long run goals of organisation with short run goals.
- ❖ Management tries to relate the organisation goals with society goals.
- ❖ MBO's emphasis is not only on goals but also on effective performance.
- ❖ A high degree of motivation and satisfaction is available to employees through MBO.
- ❖ Recognizes the participation of employees in goal setting process.

2. What are the process involved in MBO?

- ❖ Defining Organisational Objectives
- ❖ Goals of Each Section
- ❖ Fixing Key Result Areas
- ❖ Setting Subordinate Objectives or Targets
- ❖ Matching Resources with Objective
- ❖ Periodical Review Meetings
- ❖ Appraisal of Activities
- ❖ Reappraisal of Objectives

3. What are the Process of MBE?

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- ❖ 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.

4. List out any Four process of MBO.

1. Defining Organisational Objectives
2. Goals of Each Section
3. Fixing Key Result Areas
4. Setting Subordinate Objectives or Targets

III. Long Answer Questions:**1. What are the major advantages of 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.
- The responsibility of a worker is fixed through MBO.

2. What are the advantages of MBE?

1. It saves the time of managers because they deal only with exceptional matters. Routine problems are left to subordinates.
2. It focuses managerial attention on major problems. As a result, there is better utilisation of managerial talents and energy
3. It facilitates delegation of authority. Top management concentrates on strategic decisions and operational decisions are left to the lower levels.
4. It is a technique of separating important information from unimportant one.
5. MBE keeps management alert to opportunities and threats by identifying critical problems. It can avoid uninformed and impulsive action.
6. Management by exception provides better yardsticks for judging results. It is helpful in objective performance appraisal.

3. Explain the various disadvantages of MBO.

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 longterm 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.

4. Discuss the 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.

Chapter 4: FINANCIAL MARKETS:**I. Very Short Answer Questions:****1. What are the components of organized sectors?**

Organized sector consist of,

- i. Regulators ii. Financial Institutions iii. Financial Markets and Financial Services

2. Write a note on financial market.

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

3. What is equity market?

- ✓ It is the financial market for trading in Equity Shares of Companies
- ✓ An equity market is a market in which shares are issued and traded, either through exchanges or over-the-counter markets.

4. What is debt market?

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

5. How is price decided in a secondary market?

Prices in the secondary market are determined by the basic forces of supply and demand. If the majority of investors believe a stock will increase in value and rush to buy it, the stock's price will typically rise.

II. Short Answer Questions:**1. Give the meaning and definition of financial market.****Meaning:**

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."

2. Differentiate spot market from future market.

(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.

3. Write a note on Secondary Market.

- The place where formerly issued securities are traded is known as Secondary Market.(Resale Market)
- Secondary Market is the market for securities that are already issued. Stock Exchange is an important institution in the secondary market.
- It does not provide funding to companies

4. Bring out the scope of financial market in india.

- 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.

III. Long Answer Questions:

1. Distinguish between new issue market and secondary market.

BASIS FOR COMPARISON	NEW ISSUE MARKET	SECONDARY MARKET
Meaning	The market place for new shares is called primary market. (Initial Issues Market)	The place where formerly issued securities are traded is known as Secondary Market. (Resale Market)
Buying	Direct	Indirect
Gained person	Company	Investors
Intermediary	Underwriters	Brokers
Buying and Selling between	Company and Investors	Investors
How can securities be sold?	Only Once	Multiple times
Organizational difference	Not rooted to any specific spot or geographical location	It has physical existence

2. Enumerate the different kinds of financial markets or discuss the various types of financial markets

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.

(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

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4. What are the functions of Financial Markets?**I. INTERMEDIARY FUNCTIONS:****(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 THE FINANCIAL FUNCTIONS:

(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.

Chapter 5: CAPITAL MARKET

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I. 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.

2. Write a note on 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 medium-size companies.

3. What is Mutual Fund?

- 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.

4. Who are the participants in a Capital Market?

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

5. How is price determined in a Capital Market?

After a company goes public and starts trading on the exchange, its price is determined by supply and demand for its shares in the market.

II. Short Answer Questions:**1. What are the various kinds of Capital Market? Explain.****I Primary Market:**

Primary market is a market for new issues or new financial claims. Hence, it is also called New Issue Market.

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.

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.)

(ii) Reliable Guide to Performance:

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

3. Write a note on National Clearance and Depository System (NCDS).

Under the scripless trading system, settlement of transactions relating to securities takes place through a book entry.

- Its prescribes the terms and conditions of contract for the securities market
- Its aims at determining the net cash and stock liability of each broker on a settlement date
- Its 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

4. Discuss about evolution and growth of Indian Capital Market.

- 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.

- 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.

5. Explain about Factoring and Venture Capital Institutions.

(i) 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.

(ii) 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 hi-technology projects which are converted into commercial production.

III. Long Answer Questions:

1. Discuss the characters 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.

(v) Market for Financial Assets:

Capital market provides a transaction platform for long term financial assets

2. Briefly explain the 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.) 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 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

(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) 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.

(viii) Easy Liquidity:

With the help of secondary market investors can sell off their holdings and convert them into liquid cash. Commercial banks also allow investors to withdraw their deposits, as and when they are in need of funds.

3. Explain the various types of New Financial Institutions**(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 hi-technology projects which are converted into commercial production.

(ii) Mutual Funds:

Financial institutions that provide facilities for channeling savings of small investors into avenues of productive investments are called 'Mutual Funds'.

(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.

(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 medium-size companies.

(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.

(vi) National Clearance and Depository System (NCDS):

Under the scripless trading system, settlement of transactions relating to securities takes place through a book entry.

(vii) National Securities Depositories Limited:

The NSDL was set up in the year 1996 for achieving a time bound dematerialization as well as rematerialization of shares.

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

Stock Holding Corporation of India Limited (SHCIL) aims at serving as a central securities depository in respect of transactions on stock exchanges.

Chapter 6: MONEY MARKET**I. Very Short Answer Questions:****1. Define the term "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".

2. What is commercial bill market?

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.

3. 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.

4. What is Government Securities Market?

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

5. What are the Instruments of Money Market?

- ✓ Treasury Bills
- ✓ Commercial Bills
- ✓ Certificate of Deposits
- ✓ Government Securities

6. Explain the two oldest money markets.**Treasury bill:**

A Treasury bill is nothing but a promissory note issued for a specified period stated therein. The Government promises to pay the specified amount mentioned therein to the bearer of the instrument on the due date. The period does not exceed a period of one year.

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.

7. What do you meant by 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'.

8. What do you meant by 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'.

II. Short Answer Questions:**1. What are the features of Treasury Bills?**

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?

There are many participants operating in the Money Market. The participants deal with the money market instruments like Treasury Bills, Commercial Bills, Commercial Papers, etc.,

- | | |
|--------------------------------------|---|
| 1. Government of different countries | 2. Central Banks of different countries |
| 3. Private and Public Banks | 4. Mutual Funds Institutions |
| 5. Insurance Companies | 6. Non-Banking Financial Institutions |
| 7. RBI and SBI | |

3. Explain the types of Treasury Bills?

Treasury Bills may be classified into three. They are:

1)91 days Treasury Bills : Its issued at a fixed discount rate of 4 per cent as well as through auctions.

2)182 days Treasury Bills: The RBI holds 91 days and 182 Treasury Bills and they are issued on tap basis throughout the week.

3)364 days Treasury Bills: 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.

4. What are the features of Certificate of Deposit?

- ✓ Document of title to time deposit
- ✓ It is unsecured negotiable instruments.
- ✓ It is freely transferable by endorsement and delivery.
- ✓ It is issued at discount to face value.
- ✓ It is repayable on a fixed date without grace days.

5. What are the types of Commercial Bill?

- Demand and Usance Bills
- Clean bills and documentary Bills
- Inland bills and Foreign Bills
- Indigeneous Bills
- Accommodation and supply Bills

III. Long Answer Questions:**1. Define Money Market and Capital Market. Explain the difference between the Money Market and Capital Market.****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".

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".

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	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.,
3	Role of Major Institution	The central bank and commercial banks are the major institutions in the money market.	Development banks and Insurance companies play a dominant role in the capital market.
4	Availability of Instruments	Money Market instruments generally do not have secondary market.	Capital market instruments generally have secondary markets.

5	Subdivision	In money market there is no such subdivision.	In capital market there is a division of primary market and secondary market.
6	Place of Transaction	Transactions mostly take place over the phone and there is no formal place.	Transactions take place at a formal place. Eg. stock exchange.
7	Risk	Low credit and market risk.	High credit and market risk
8	Liquidity	High liquidity in Money Market	Low liquidity in Capital Market

2. Explain 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.Existence of Secondary Market

There should be an active secondary market for these instruments.

5.Demand and Supply of Funds

There should be a large demand and supply of short-term funds. It presupposes the existence of a large domestic and foreign trade.

6.Wholesale Market

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

7.Flexibility

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

8.No Formal Place

Generally, transactions take place through phone, i.e., oral communication.

3. Explain the Instruments of Money Market?

I.Treasury bill :

- A Treasury bill is nothing but a promissory note issued for a specified period stated therein.
- The Government promises to pay the specified amount mentioned therein to the bearer of the instrument on the due date.
- The period does not exceed a period of one year

Features:

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

Types:

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

II. Certificate of Deposits:

- 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.
- The Certificate of Deposit is transferable from one party to another.

Features of Certificate of Deposit

1. Document of title to time deposit
2. It is unsecured negotiable instruments.
3. It is freely transferable by endorsement and delivery.
4. It is issued at discount to face value.
5. It is repayable on a fixed date without grace days.

III. 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.

Types of Commercial Bill:

- Demand and Usance Bills
- Clean bills and documentary Bills
- Inland bills and Foreign Bills
- Indigeneous Bills
- Accommodation and supply Bills

4. Explain the features and types of Commercial Bills?

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

Types

a. Demand and Usance 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. Indigeneous Bills

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

e. Accommodation and supply Bills

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

5. What are the features of Government Securities?

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. Issue Mechanism

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

6. Issue opening

A notification for the issue of the securities is made a few days before the public subscription is open.

7. 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'.

8. 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'.

Chapter 7: STOCK EXCHANGE**I. Very Short Answer Questions:****1. What is meant Stock Exchange?**

- ❖ Stock Exchange is an organized market for the purchase and sale of industrial and financial security.
- ❖ Stock Exchange (also called Stock Market or Share Market) is one of the important constituents of Capital market.
- ❖ It is an investment intermediary and facilitates economic and industrial development of a country.

2. Define Stock Exchange.

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

3. Write any 5 Stock Exchanges in India.

- ✓ The Bombay Stock Exchange
- ✓ The National Stock Exchange of India (NSE) Ltd.
- ✓ The Coimbatore Stock Exchange Ltd.
- ✓ The Madras Stock Exchange Ltd
- ✓ Bangalore Stock Exchange Ltd.

4. What is meant by Remisier?

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.

5. Who is called a Broker?

- ✓ 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.

6. What are the types of Speculator?

- ✓ Bull
- ✓ Bear
- ✓ Stag
- ✓ Lame Duck

7. What is meant by Commodity Exchange?

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)

8. Mention the 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.

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)

9. What is the stock trading time in India?

- ❖ The timing of both BSE & NSE is the same.
- ❖ Stock market in India is closed on weekends i.e. Saturday and Sunday.
- ❖ It is also closed on the national holidays.
- ❖ The normal trading time for equity market is between 9:15 a.m to 03:30 p.m, Monday to Friday.

10. Explain 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.
- ✓ The literal translation of Dalal in Marathi is a broker or intermediary.

II. Short Answer Questions:**1. What are the 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. No proper regulation of listing of securities on the stock exchange

2. Explain Bull and Bear.**Bull:**

- ✓ A Bull or Tejiwala is an operator who expects a rise in prices of securities in the future.
- ✓ The bull speculator stimulates the price to rise. He is an optimistic speculator.
- ✓ 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

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.
- ✓ The bear speculator tends to force down the prices of securities. A bear is a pessimistic speculator.

3. 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.

4. Explain National Stock Market System. (NSMS)

National stock market system was advocated by the - High Powered Group on the Establishment of New Stock Exchanges 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)

5. Explain 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.

III. 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.

2. 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.

3. Aid to Capital Formation

Stock exchanges thus ensure a steady flow of capital into industry and assists industrial development.

4. Correct Evaluation of Securities

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

5. 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.

6. Clearing House of Business Information

stock exchange publish every year books detailing the financial position of companies. Thus, it gives vital information to the investing public for deciding on investment.

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. Association of Persons

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

4. Recognition from Central Government

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

5. Working as per Rules

Buying and selling transactions in securities at the stock exchange are governed by the rules and regulations of stock exchange as well as SEBI Guidelines. No deviation from the rules and guidelines is allowed in any case.

6. 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.

3. Explain the Benefits 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, profit-making companies to raise limitless funds by fresh issue of shares from time to time.

iii. Capital Formation

It encourages capital formation.

iv. 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.

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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. Investor protection

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

iii. 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.

iv. 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.

4. Distinguish between Stock Exchange and Commodity Exchange.

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.	A commodity exchange is an exchange where commodities are traded. Tradable commodities are <ul style="list-style-type: none"> ❖ 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	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
6	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

5. Explain Lombard Street and Wall Street.

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 meters It has oft en been compared with Wall Street in New York City

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 investor's free access to the same information available to Wall Street's tycoons.

Chapter 8: SECURITIES EXCHANGE BOARD OF INDIA(SEBI)**I. Very Short Answer Questions:****1. Write a short notes on SEBI.**

Securities and exchange board of India(SEBI) is an apex body that maintains and regulates our capital market. It was established in 1988 by Indian government but got the statutory powers in 1992.

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. What is Demat account?

- ❖ A demat account holds all the shares that are purchased in electronic or dematerialized form.
- ❖ 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).

4. Mention the headquarters of SEBI.

SEBI has its headquarters at the business district of BandraKurla Complex in Mumbai, and has Northern, Eastern, Southern and Western Regional Offices in New Delhi, Kolkata, Chennai and Ahmedabad respectively.

5. What are the various ID proofs?

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, etc..

II. 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/registrar 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?

You need to submit proof of identity and address along with a passport size photograph and the account opening form. Only photocopies of the documents are required for submission, but originals are also required for verification.

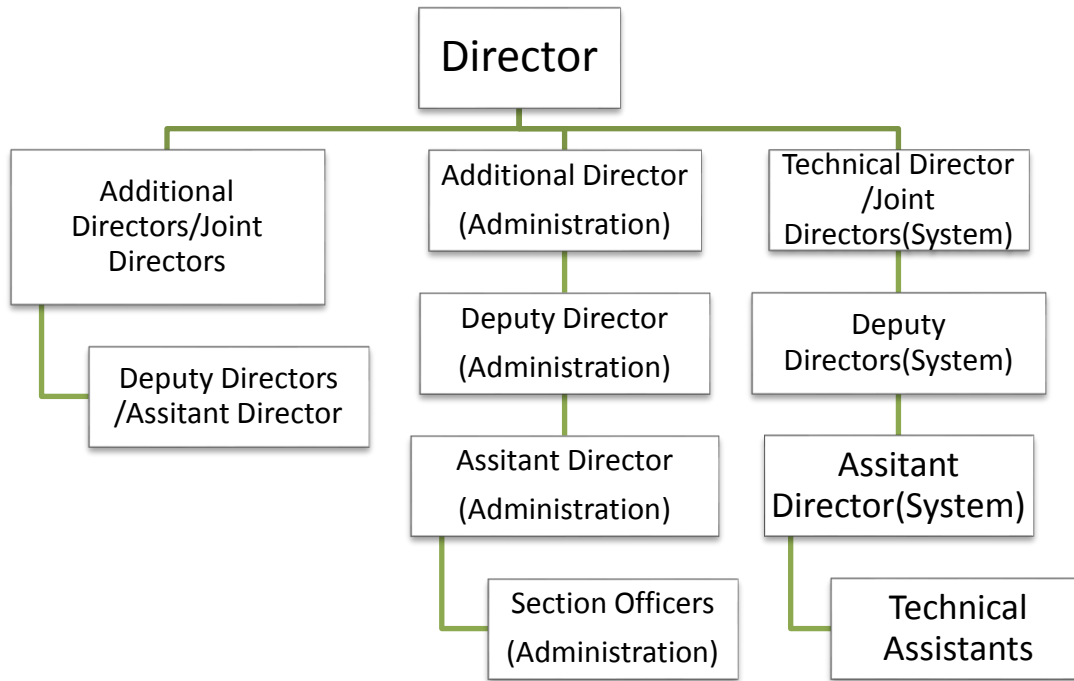
3. What is the power of SEBI under Securities Contract Act?

- ✓ 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.

4. What is meant by Insiders 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.

5. Draw the organization structure of SEBI.



III. Long Answer Questions:

1. What are the functions of SEBI?

- Safeguarding the interests of investors by means of adequate education and guidance.
- Regulating and controlling the business on stock markets.
- Barring insider trading in securities.
- Prohibiting deceptive and unfair methods used by financial intermediaries operating in securities markets.
- Registering and controlling the functioning of stock brokers, sub-brokers, share transfer agents, bankers
- SEBI regulates mergers and acquisitions as a way to protect the interest of investors.
- Registering and controlling the functioning of collective investment schemes such as mutual funds.
- Promoting self-regulatory organization of intermediaries. It has extensive legal powers.
- Carrying out steps in order to develop the capital markets by having an accommodating approach.
- Provide appropriate training to financial intermediaries.
- Levying fee or any other type of charges to carry out the purpose of the Act
- Performing functions that may be assigned to it by the Central Government of India.

2. Explain the powers of SEBI.

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.

3. What are the benefits of Dematerialisation?

- 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.
- viii. Banks also provide dedicated and trained customer care officers to assist through all the procedures.
- ix. A DEMAT account holder can buy or sell any amount of shares. However, there is limit on the number of transactions done using physical securities.
- x. One can also choose to take a loan against securities which are held in a DEMAT account by offering it as a collateral to the lender.

Chapter 9: FUNDAMENTALS OF HUMAN RESOURCE MANAGEMENT

I. Very Short Answer Questions:

1. Give the meaning of Human Resource.

Not all human beings are considered to be human resources but only those individuals who acquired the required skill sets, talents, knowledge, competencies and capabilities in the accomplishment of both individual and organisational objectives.

2. What is Human Resource Management ?

Human Resource Management is a function of management concerned with hiring, motivating and maintaining people in an organisation. It focuses on people in an organisation.

3. State two features of HRM.

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.

4. Mention two characteristics of Human Resource.

- ✓ Human resource is the only factor of production that lives
- ✓ Human resource created all other resources
- ✓ Human resource exhibits innovation and creativity

5. List the functions of HRM

I. Managerial function - Planning, Organising, Directing, Controlling.

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

II. Short Answer Questions:

1. Define the term Human Resource Management.

According to Dale Yoder Human Resource Management as “the effective process of planning and directing the application, development and utilisation of human resources in employment”.

2. What are the features of Human resources ?

- Human resource is the only factor of production that lives
- Human resource created all other resources
- It is only the labour of employees that is hired and not the employee himself
- Human resource exhibits innovation and creativity
- Human resource alone can think, act, analyse and interpret

3. Give two points of differences between HR and HRM.

- ✓ HR is Human Resources, these are the people who make up the workforce of an organisation. HRM is the art of management which deals with recruiting, hiring, deploying and most importantly taking care of the human resources of the organisation.
- ✓ In an organisation the human resource are the employees who are inevitable for the survival and success of the enterprise.

In short, it is managing people of different levels for the accomplishment of the organisational goals

4. What is the importance of Human resource?

- ✓ It is only through human resource all other resources are effectively used
- ✓ The sustainable growth of an organisation depends on the important resource human resource
- ✓ Industrial relations depend on human resource
- ✓ Human relations is possible only through human resource
- ✓ Human resource manages all other factors of production

5. State the functions of Human Resource Management.

I. Managerial function - Planning, Organising, Directing, Controlling.

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

III. Long Answer Questions:**1. Explain the unique features of Human Resource.**

- Human resource is the only factor of production that lives
- Human resource created all other resources
- It is only the labour of employees that is hired and not the employee himself
- Human resource exhibits innovation and creativity
- Human resource alone can think, act, analyse and interpret
- Human resources are emotional beings
- Human resources can be motivated either financially or non financially
- The behaviour of human resources are unpredictable
- Over years human resources gains value and appreciates
- Human resources are movable
- Human resource can work as a team

2. Describe the significance of Human Resource Management.**i. 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.

iii. 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.

viii. To provide incentives and bonus to best performers:

It is the role of human resource management to recognise the best performers and to provide them with bonus and incentives as a form of appreciation for their work.

3. Elaborate on the Managerial functions of Human Resource Management.

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.

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 actuals with the standards and to check whether activities are going on as per plan and rectify deviations.

4. Differentiate HR from HRM.

BASIS FOR COMPARISON	HRM	HR
Meaning	Human Resource Management refers to the application of principles of management to manage the people working in the organization	In an organisation the human resource are the employees who are inevitable for the survival and success of the enterprise.
What is it?	In order to achieve the personal and organisational objectives human resources are to be trained up and managed	Human resource is the only factor of production that lives
Function	Its concerned with hiring, motivating and maintaining people in an organisation. It focuses on people in an organisation.	The sustainable growth of an organisation depends on the important resource human resource
Objective	To improve the performance of the employees	Human resource exhibits innovation and creativity
Characteristics	Human resource management ensures the right talent available for the right job.	Human resources can be motivated either financially or non financially

5. Discuss the Operating functions HRM.

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.

Chapter 10: RECRUITMENT METHODS**I. 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. It is a process of attracting potential people to apply for a job in an organisation.

2. What is promotion?

It's based on seniority and merits of the employees they are given opportunity to move up in the organisational hierarchy

3. State two benefits of internal source of recruitment.

- Reduce time to hire
- Cost less
- Continuity of operations
- Increased morale and retention

4. Mention any two features of campus recruitment.

- ✓ We can identify new talents
- ✓ It's a costless method of recruitment
- ✓ We can conduct interview for more number of candidates and select best one

5. List the benefits of external source of recruitment.

- ✓ External recruitment helps you to assess a pool of best or talented employees for the job you need to fill.
- ✓ External recruitment provides an opportunity for a fresh outlook on the industry that a company may need to stay competitive.

II. Short Answer Questions:**1. Define the term Recruitment.**

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."

2. What are the features of internal source of recruitment?

- ✓ Increased morale and retention. Other employees see there is room for advancement and reward for a job well done.
- ✓ Continuity of operations. Chances are that an internal employee can transition into the new role with minimal downtime.
- ✓ Less paperwork.

3. Give two points of differences between advertisement and unsolicited application.**i. Advertisements**

i. 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. Its very expensive method of recruitment

ii. Unsolicited applicants

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

ii. Its not a expensive method of recruitment.

4. What is the importance of job portals?

- ✓ Using internet job portals organisations can screen for the prospective candidates and fill up their vacancies
- ✓ It's bridging the gap between the recruiters and the job seekers.
- ✓ Job Portals help to reach out to a wider audience.
- ✓ Job search portals make job searching time-efficient, easy and convenient.

5. State the steps in Recruitment process

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- 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

III. Long Answer Questions:**1. Explain the different methods of recruitment.****Internal Sources:**

- 1. Transfer**-transfer of employee from one department with surplus staff to that of another with deficit staff.
- 2. Upgrading**-Performance appraisal helps in the process of moving employees from a lower position to a higher position
- 3. Promotion**-Based on seniority and merits of the employees they are given opportunity to move up
- 4. Demotion**-Movement of employee from a higher position to a lower position because of poor performance
- 5. Recommendation by existing Employees**-A family member, relative or friend of an existing employee can be recruited and placed
- 6. Job rotation**-One single employee managing to learn how to perform in more than one job on rotation
- 7. Retention** – The retiring employees can be used to meet the requirement after superannuation.
- 8. Retired employees**- The employees who have already retired can be called to fill the vacancy.
- 9. Dependants**- The legal heir or the dependent employee may be given a chance to replace the deceased.
- 10. Previous applicants**- whose name appears in the data base but not selected at that point of time can be utilized.
- 11. Acquisitions and Mergers External Sources** - organisation acquires another business unit or merging with another establishment.

External Sources:**i. Direct:**

- 1. Advertisements**- The employer can advertise in dailies, journals, magazines etc. about the vacancies in the organisation
- 2. Unsolicited applicants**- job seekers who voluntarily apply for the vacancies not yet notified by the organisations.
- 3. Walk ins**- Walk-in applicants with suitable qualification and requirement can be another source of requirement.
- 4. Campus Recruitment**- The organisations visit the educational institutions to identify and recruit suitable candidates
- 5. Recruitment at Factory gate**- casual or temporary unskilled employees are recruited by this way, paid on hourly or daily basis
- 6. Rival firms**- efficient employees of rival companies are drawn to the organisations by higher pay and benefits
- 7. E Recruitment** - – The organisations which carry out recruitment online methods is said to follow e recruitment

ii. Indirect:

- 1. Employee referral**- The existing employees of the organisation may recommend some of their relatives
- 2. Government/ Public Employment Exchanges**- These are exchanges established by Government which facilitates recruitment throughout the country.
- 3. Private Employment Agencies**- These are similar to Public employment exchanges except that the ownership is the hands of Private parties.
- 4. Employment Consultancies**- These types of firms facilitate recruitment on behalf of client companies at cost
- 5. Professional Associations**- Organisations seeking applicants of high calibre and repute with technical knowledge approach professional associations to identify the right person.

- 6. Deputation-** A person who is already an employee of an organisation can be deputed for a specific job for a specified period as a short term solution. 33
- 7. Word of mouth-** The information relating to job seekers is collected through people of repute who pass on the message about the vacancy to their known people.
- 8. Labour Contractors-** Organisations recruit unskilled and manual labourers through these contractors.
- 9. Job Portals-** Using internet job portals organisations can screen for the prospective candidates and fill up their vacancies

2. Describe the significance of External source of recruitment.

- When an organization recruits externally, it opens the organization up to a larger pool of applicants, which increases its chance of finding the right person for the job.
- External recruitment provides an opportunity for a fresh outlook on the industry that a company may need to stay competitive.
- Bringing in fresh talent from the outside can help motivate the current employees to produce and achieve more in hopes of obtaining the next promotional opportunity
- Looking outside the organization also allows a company to target the key players that may make its competition successful.
- Hiring an external candidate also opens up many opportunities to find experienced and highly-qualified and skilled candidates who will help a company meet its diversity requirements.

3. Elaborate on the factors affecting recruitment.

I. INTERNAL FACTORS:

1. Recruitment Policy

The recruitment policy of the organization i.e. recruiting from internal sources and external also affect the recruitment process.

2. Size of the Organization

The size of the organization affects the recruitment process. If the organization is planning to increase its operations and expand its business, it will think of hiring more personnel, which will handle its operations.

3. Cost involved in recruitment

Recruitment process also counts the cost to the employer, that's why organizations try to employ/outsources the source of recruitment which will be cost effective to the organization for each candidate.

4. Growth and Expansion

Organization will utilize or consider utilizing more work force in the event that it is growing its operations.

II. EXTERNAL FACTORS

1. Supply and Demand:

The availability of manpower both within and outside the organization is an essential factor in the recruitment process

2. Labour Market

Employment conditions where the organization is located will affected by the recruiting efforts of the organization.

3. Political-Social- Legal Environment

Different government controls forbidding separation in contracting and work have coordinate effect on enlistment practices.

4. Unemployment Rate

The Element that influence the availability of applicants is the economy growth rate

5. Competitors

The recruitment policies and procedure an of the competitors also affect the recruitment function of the organizations.

4. Differentiate Recruitment and Selection.

SL.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	Process	Recruitment process is very simple	Selection process is very complex and complicated

5. Discuss the importance of Recruitment.

- ✓ Attract and encourage a good number of candidates to apply for the organizational vacancies.
- ✓ Determine present and future organizational requirement taking into consideration of personnel planning and job analysis activities.
- ✓ Links the employers with the potential employees.
- ✓ Increase potential candidate's pool at less cost.
- ✓ Increases success rate of selection process by reducing the number of under qualified or overqualified job applicants.
- ✓ Reduce the probability of leaving the organization only after a short period of time, once recruited and selected.
- ✓ Meet the organizations' legal and social obligations maintaining its workforce composition.
- ✓ Determine the appropriateness of the candidates by identifying and preparing potential job applicants.
- ✓ Increase organizational and individual effectiveness regarding application of various recruitment techniques and tapping different sources of recruitment concerned.

Chapter 11: EMPLOYEE SELECTION PROCESS

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I. 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.
- ❖ The main aim of selection process is to find out the suitable candidate for specific job.

2. What is an interview?

- ❖ An interview is a purpose full exchange of ideas, the answering of questions and communication between two or more persons.
- ❖ Face to face interaction between the interviewer and interviewee

3. What is 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 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.

5. What do you understand about bio data?

It contains the information about the job seeker date of birth, gender, religion, nationality, residence, marital status, family background, educational qualification, co-curricular activities, work experience, exposure to related activities, scale of pay drawn, academic distinction, area of expertise and so on.

6. What do you mean by placement?

- ❖ Placement is a process of assigning a specific job to each and every candidate selected.
- ❖ The process of placing the right man on the right job is called 'Placement'.

II. Short Answer Questions:**1. What is stress interview?**

- ❖ This type of interview is conducted to test the temperament and emotional balance of the candidate
- ❖ 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.

2. What is structured interview?

- ❖ Under this method, a series of question to be asked by the interviewer are pre-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?**1. Ability Tests**

- ✓ Aptitude Test
- ✓ Achievement Test
- ✓ Intelligence Test
- ✓ Judgment Test

2. Personality Tests

- ✓ Interest Test
- ✓ Personality Test
- ✓ Projective Test
- ✓ Attitude Test

4. What do you mean by achievement test?

- ❖ This test measures a candidate's capacity to achieve in a particular field.
- ❖ 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**.

Example : A driver may be asked to drive a vehicle to test his driving efficiency

5. Why do you think the medical examination of a candidate is necessary?

Yes, because a person of poor health cannot work competently and any investment on him may go waste, if he/she is unable to discharge duties efficiently on medical grounds.

6. What is 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.

7. How is panel interview conducted?

- ❖ Where a group of people interview the candidate, it is called panel interview.
- ❖ Usually panel comprises chair person, subject expert, psychological experts, 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.

8. List out the various selection interviews.

- Preliminary Interview
- Structure/Guided/Planned Interview
- Unstructured Interview
- In depth Interview
- Panel Interview
- Stress Interview
- Telephone Interview
- Online Interview
- Group interview
- Video Conferencing Interview

9. List out the significance of placement.

- i) It improves employee morale
- ii) It helps in reducing employee turnover
- iii) It helps in reducing conflict rates or accidents
- iv) It avoids misfit between the candidates and the job.
- v) It helps the candidate to work as per the predetermined objectives of the organization
- vi) It involves assigning a specific rank and responsibilities to an individual
- vii) It helps to avoid short term staff shortage.

III. Long answer questions:**1. Briefly explain the various types of tests.****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 can be measured by the following ways:

i) Numerical Reasoning Test

- ✓ This test measures 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

- ✓ It's a 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.

2. Achievement Test

This test measures a candidate's capacity to achieve in a particular field. The regular examination conducted in educational institution represents achievement test. It is also called proficiency test.

Example,

- A driver may be asked to drive a vehicle to test his driving efficiency
- Teacher candidate may be asked to give a demonstration

3. Intelligence Tests

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. 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, introvertness, 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.

4. 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.

2. Explain the important methods of interview.

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i) 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.

ii) Structure/Guided/Planned Interview

- ✓ A series of question to be asked by the interviewer are pre-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.

iii) Unstructured Interview

- ✓ There is no pre-prepared question. Interviewers determine the suitability of the candidate based on their response to the random questions raised in the interview.

iv) In depth Interview

- ✓ Interview helps the interviewers to learn about the candidate's expertise and practical exposure with respect to his/her area of specialization.

v) Panel Interview

- ✓ Where a group of people interview the candidate, it is called panel interview.
- ✓ Usually panel comprises chair person, subject expert, psychological experts, 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.

vi) Stress Interview

- ✓ This type of interview is conducted to test the temperament and emotional balance of the candidate
- ✓ 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.

vii) 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.

viii) Online Interview

Due to tremendous growth in information and communication technology, these days interviews are conducted by means of internet via **Skype, We chat, Google duo, Viber, Whatsapp** or **Video chat** applications. This enables the interviewers to conduct interview with the candidates living in faraway places. They saves a lot of time, money and energy both for employer's organisation and the candidate.

ix) Group interview

- ✓ A group interview is a screening process where multiple candidates are interviewed at the same time. 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.

x) 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. Interview can be conducted from a desktop at work, a home computer or smart phone or a tablet.

3. Explain the principles of placement.

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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 an 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.

Chapter 12: EMPLOYEE TRAINING METHOD**I. 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. Training enables the employees to guide their behaviour.

2. What is Mentoring training method?

- ❖ Mentoring is the process of sharing knowledge and experience of an employee.
- ❖ Mentoring is always done by senior person, it is also one-to-one interaction , like coaching.
- ❖ The focus in this training is on the development of attitude of trainees.

3. What is Role play?

- ❖ 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.

4. State e-learning method?

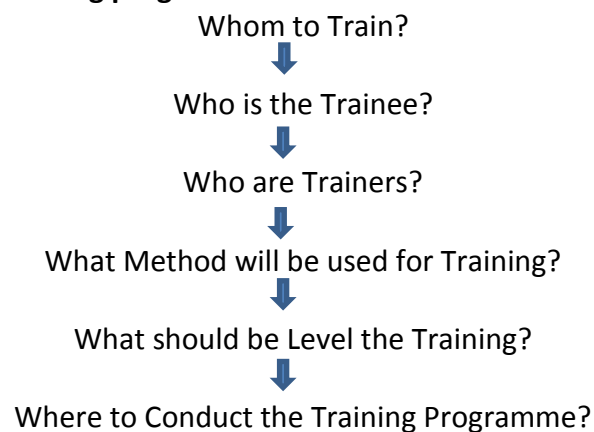
- ❖ E learning is also often referred to us online learning or web based training.
- ❖ E learning training courses can save money to an organizations as they no longer have to pay for costly seminar to improve employees skills.
- ❖ Under this type of web based training is anywhere and any time information can pass over the internet.

II. Short Answer Questions:**1. What is vestibule training?**

- ❖ 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.
- ❖ It is given to Drivers, Pilots, Space Scientists etc.,

2. What do you mean by 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.
- ❖ 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.

4. 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, 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 self-interest and recommendation by the supervisor or by the human resource department itself.

III. Long Answer Questions:

1. Define training. Discuss various types of training.

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

(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.

i) Coaching Method:

- The superior teaches or guides the new employee about the knowledge and skills relevant to a given job.
- The superior should point out mistakes committed by the new worker and also advise the remedial measures, to trainees.

ii) Mentoring method:

- Mentoring is the process of sharing knowledge and experience of an employee.
- Mentoring is always done by senior person; it is also one-to-one interaction, like coaching.
- The focus in this training is on the development of attitude of trainees.

iii) Job Rotation Method:

- 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

iv) Job Instruction Techniques (JIT) Method:

- In this method, a trainer at the supervisory level gives some instructions to an employees 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.
- This duration of this training programme ranges from one to five years. The trainee gets the stipend during the training period.

vi) Committee Assignment:

- When employees are assigned to committee to address a particular issue, they are able to work closely with other members and committee leader.
- They gain more knowledge by observing and participating in decision making process.

vii) Understudy/Internship Training Method:

- A superior gives training to a subordinates, The subordinates learn through experience and observation by participating in handling day to day problems.
- purpose of internship training is to prepare subordinate for assuming the full responsibilities and duties.

(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.

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, etc.,

- They impart training effectively by their oratorical skill, knowledge and practical knowledge using audio visual tools.

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ii) Group Discussion Method:

- Participants are divided into various groups; they were provided a particular issue for deliberation.
- Each group 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.

iii) 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.

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.

v) Seminar/Conference Method:

- This method enables the trainees to listen to the lectures / talk delivered on specific topics and provides opportunities to participate, to interact with the speaker and get their doubts clarified or select participants may be allowed to present papers with the audio visual aids as delegates.
- This is one of the oldest method, but still a favorite training method.

vi) Field Trip Method:

- Trainees are taken to actual workplace/ site/facility to gain exposure and knowledge.
- They are explained the process of work by supervisor/ manager of the facility visited by the participants.
- They are free to clarify their doubts from the organization experts.

vii) 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.
- It is given to Drivers, Pilots, Space Scientists etc.,

viii) E-learning Method:

- E learning is also often referred to as online learning or web based training.
- E learning training courses can save money to an organizations as they no longer have to pay for costly seminar to improve employees skills.
- Under this type of web based training is anywhere and any time information can pass over the internet.

ix) Demonstration Training Method:

- This method is a visual display of how something works or how to do something.
- Demonstration involves showing by reason or proof explaining or making clear by use of examples or experiments.

x) Programmed Instruction Method:

- Under this method, the subject matter to be learnt is presented in a series of units. These units are arranged from simple to complex level.
- Trainee has to read the unit understand the concept and take part in self-evaluation exercise.
- Programmed instructions is made available in printed form i.e books, table, interactive video and other formats.

2. What are the differences between on the job training and off the job training?

SL.NO	BASIS	On the Job Training	Off the Job Training
1	Meaning	The employee learns the job in the actual work environment.	Off the Job training involves the training of employees outside the actual work location
2	Cost	It is cheapest to carry out	It requires expenses like separate training rooms, specialist, resources like projectors.
3	Location	At the work place	Away from the work place
4	Approach	Practical approach	Theoretical approach
5	Principle	Learning by performing	Learning by acquiring knowledge
6	Carried out	It is carried out by the experienced employee	Training which is provided by the experts.
7	Methods	Coaching, job rotation, apprenticeship, mentoring, etc	Role –plays , seminar, lectures, case studies, etc

3. Explain the benefits of training.**(i) Benefits to the Organization**

- It improves the skill of employees and enhances productivity and profitability of the entity.
- It reduces wastages of materials and idle time
- It exposes employees to latest trends.
- It minimizes the time for supervision.
- It reduces the frequency of accidents at workplace and consequent compensation payment.
- It reduces labour turnover of employee
- It improves union and management relation.

(ii) Benefits to the Employees

- It adds to the knowledge skill and competency of employee
- It enables him to gain promotion or achieve career advancement in quick time.
- It improves the employees productivity
- It enhances the morale of the employee.
- Employees get higher earnings through incentives and rewards.
- It builds up the confidence of employee by changing his attitude positively towards to work
- It enables him to observe safety practices voluntarily during his engagement in dangerous operation

(iii) Benefits of Customer

- Customers get better quality of product/ service.
- Customers get innovative products or value added or feature rich products.

Chapter 13: CONCEPT OF MARKETING AND MARKETER

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

- ✓ 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 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 meant by 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. Mention any four differences between Wholesale Market and Retail market?

BASIS	WHOLESALE	RETAIL
Meaning	Wholesale is a business in which goods are sold in large quantities to the retailers	When the goods are sold to the final consumer in small lots
Creates link between	Manufacturer and Retailer	Wholesaler and Customer
Volume of transaction	Large	Small
Deals in	Limited products	Different products

5. What is meant by Commodity Market?

- ✓ A commodity market is a place where produced goods or consumption goods are bought and sold.
- Commodity markets are sub-divided into:
- i. Produce Exchange Market
 - ii. Manufactured Goods Market
 - iii. Bullion Market

II. Short Answer Questions:**1. What can be marketed in the Market?**

The dynamic items that can be marketed are listed below:

- | | | | | |
|----------|--------------|----------------|---------------|-----------|
| 1.Goods | 2.Services | 3.Experiences | 4.Events | 5.Persons |
| 6.Places | 7.Properties | 8.Organization | 9.Information | 10.Ideas |

2. Mention any three Role of Marketer?**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.

ii. Innovator

Marketer seeks to distinguish his products/services by adding additional features to the existing product.

iii. 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. Marketer is an innovator? Do you agree?

Yes I Agree, Marketer seeks to distinguish his products/services by adding additional features, modifying the pricing structure, introducing new delivery pattern, creating new business models, introducing change in production process and so on.

4. Why Customer support is needed to Market?

The customer is the foundation of any business' success. ...

- ✓ It helps your company to ensure greater customer satisfaction
- ✓ It increase its long-term goal of repeat business.
- ✓ It's also an effective way to increase sales and profits.

5. Explain the types of market on the basis of time.**i. Very Short Period Market:**

- Markets which deal in perishable goods like, fruits, milk, vegetables etc.,
- There is no change in the supply of goods. Price is determined on the basis of demand.

ii. Short Period Market:

- In certain goods, supply is adjusted to meet the demand. The demand is greater than supply.

iii. Long Period Market:

- This type of market deals in durable goods, where the goods and services are dealt for longer period usages.

6. List down the functions of Marketer?

- ✓ Gathering and Analysing market information
- ✓ Market planning
- ✓ Product Designing and development
- ✓ Standardisation and Grading
- ✓ Packaging and Labelling
- ✓ Branding
- ✓ Customer Support Services

III. Long Answer Questions:**1. How the market can be classified?****I. On the Basis of Geographical Area****a. Family Market:**

When exchanges of goods or services are confined within a family or close members of the family, it's 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.

c. National Market:

Certain type of commodities has demand throughout the country. Hence it is called as a national market.

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 sub-divided into:

- i. Produce Exchange Market
- ii. Manufactured Goods Market
- iii. Bullion Market

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
- ii. Foreign Exchange Market
- iii. The Stock 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.etc..

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. Etc

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.

ii. Unregulated Market:

A market which is not regulated by statutory measures is called unregulated market. This is a free market, Demand and supply determine the price of goods.

VI. On the Basis of Time**i. Very Short Period Market:**

- Markets which deal in perishable goods like, fruits, milk, vegetables etc.,
- There is no change in the supply of goods. Price is determined on the basis of demand.

ii. Short Period Market:

- In certain goods, supply is adjusted to meet the demand. The demand is greater than supply.

iii. Long Period Market:

- This type of market deals in durable goods, where the goods and services are dealt for longer period usages.

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.

VIII. On the Basis of Importance**i. Primary Market:**

The Primary producers of farm sell their output or products through this type of markets to wholesalers or consumers.

ii. Secondary Market:

In this market, the semi finished goods are marketed. Here finished goods are not sold. The commodities arrive from other markets.

iii. Terminal Market:

It is a central site that serves as an assembly and trading place for commodities in a metropolitan area. 47
For agricultural commodities, these are usually at or near major transportation hubs.

2. How the market can be classified 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.

3. What is your contribution to promote the market in the modern society?

Marketing is more than just an advertising campaign; it should result in revenue for your business. Understanding the different ways to promote your product or service can help you make the right choice for your business.

PRINT AND GRAPHIC ARTS MEDIA

- **Brochures, posters and packaging:** are a cost effective way to provide a variety of messages and detailed information about your products and services.
- **Business cards:** can be used to support your networking activities and give potential customers the information they need to contact you.
- **Local newspaper advertising:** is a way to reach people in your community and repeatedly exposes them to your message in order to create a stronger local presence for your business.
- **Magazines:** have the advantage of targeting a more specific audience of subscribers who are interested in the topics it covers.

ELECTRONIC MEDIA

- **Television:** content captures more audience time than any other media and is targeted at home audiences.
- **Radio:** is cost effective, and the audience is usually loyal to a station's program format.
- **The internet:** offers you a variety of different ways to market your product or service on a website or by email.
- **Cell phones and smartphones:** allow for marketing tactics that let you reach customers directly on their mobile devices.
- **Social media:** marketing encourages online interaction between your customers and your business using various social networking sites.

Chapter 14: MARKETING AND MARKETING MIX**I. Very Short Answer Questions:****1. Define 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

2. Give any two internal factors affecting the price of product / service.

- | | | |
|-----------------------|--------------------------|--------------------------------|
| *Marketing Objectives | *Marketing Mix Strategy | *Organizational considerations |
| *Costs | *Organization Objectives | |

3. Define Product.

“A product is anything that can be offered to a market for attention, acquisition, use or consumption that might satisfy a want or a need”,

- Philip Kotler.

II. Short Answer Questions:**1. What are the objectives of marketing?**

- ✓ To develop the marketing field.
- ✓ To develop guiding policies and their implementation for a good result.
- ✓ To suggest solutions by studying the problems relating to marketing.
- ✓ To find sources for further information concerning the market problems.
- ✓ To take appropriate actions in the course of action.

2. What is need for market and explain the concept of marketing?**Need for Market:**

- ❖ To exchange (barter) goods and services.
- ❖ To adjust demand and supply by price mechanism.
- ❖ To improve the quality of life of the society.
- ❖ To introduce new modes of life.

Concept of marketing:

- ❖ Make What You Can Sell, But Do Not Try To Sell What You Can Make
- ❖ First Create A Customer, Then Create Products
- ❖ Love your customers and not the products
- ❖ Customer is supreme or king
- ❖ Customer's preferences shape your decisions

3. What are the factors affecting Price of Product?**a. Internal Factors:**

1. Marketing Objectives
2. Marketing Mix Strategy
3. Organizational considerations
4. Costs
5. Organization Objectives

b. External Factors:

1. The market and demand
2. Competition
3. Customers
4. Suppliers
5. Legal factors & Regulatory factors

4. What do you mean by marketing mix? Describe 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.

Two elements:**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. Long Answer Questions:**1. Discuss about the 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.

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 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. Why the marketing is important to the society and individual firm? Explain.**a) To the Society**

- ✓ Marketing is a connecting link between the consumer and the producer.
- ✓ Marketing helps in increasing the living standard of people.
- ✓ Marketing helps to increase the nation's income.
- ✓ Marketing process increases employment opportunities.
- ✓ Marketing creates modern cultivators.
- ✓ Marketing includes all activities in the creation of utilities-form, place, time and possession.
- ✓ A reduction in the cost of marketing is a direct benefit to society.
- ✓ Marketing helps to maintain economic stability and rapid development in underdeveloped or developing countries.
- ✓ Marketing adds value of goods by changing their ownership and by changing their time and place of consumption.

b) To the Individual Firms

- ✓ Marketing generates revenue to firms.
- ✓ Marketing section of a firm is the source of information to the top management for taking overall decisions on production.
- ✓ Marketing and innovation are the two basic functions of all businesses. The world is dynamic.
- ✓ Marketing facilitates the development of business and creates employment opportunities for people.

3. Narrate the Elements of Marketing mix.

i. Product

- ✓ Product is the main element of marketing.
- ✓ Without a product, there can be no marketing.
- ✓ "A product is anything that can be offered to a market for attention, acquisition, use or consumption that might satisfy a want or a need" -**Philip Kotler**.

ii. Price

- ✓ Price is the value of a product expressed in monetary terms.
- ✓ It is the amount charged for the product.
- ✓ Price is the amount of money charged for a product or service, or the sum of the values that consumers exchange for the benefits of having or using the product or service". **Philip Kotler**

iii. Place (Physical Distribution)

- ✓ 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.

4. What is Marketing?

- ✓ Marketing is the performance of buying activities that facilitate to more flow of goods and services from producer to ultimate user
- ✓ Selling is basically concerned with putting the goods into the hands of the buyers for a price, but marketing is much wider than selling.
- ✓ "Marketing is what a marketer does"
- ✓ The evolution of marketing is as old as the Himalayas. It is one of the oldest professions in the world.
- ✓ The traditional objective of marketing had been to make the goods available at places where they are needed.
- ✓ This idea was later on changed by shifting the emphasis from "exchange" to "satisfaction of human wants".
- ✓ Some emphasise on the traditional view of producing goods and finding out customers
- ✓ modern view that marketing must first find out what customers want and then plan a product to satisfy the wants.

5. State the advantages of warehousing.

Protection and Preservation of goods :

- ✓ Warehouse provides necessary facilities to the businessmen for storing their goods when they are not required for sale.

Regular flow of goods :

- ✓ Many commodities like rice, wheat etc. are produced during a particular season but are consumed throughout the year. Warehousing ensures regular supply of such seasonal commodities throughout the year.

Continuity in production :

- ✓ Warehouse enables the manufacturers to carry on production continuously without bothering about the storage of raw materials.

Convenient location :

- ✓ Warehouses are generally located at convenient places near road, rail or waterways to facilitate movement of goods. Convenient location reduces the cost of transportation.

Creation of employment :

- ✓ Warehouses create employment opportunities both for skilled and unskilled workers in every part of the country. It is a source of income for the people, to improve their standards of living.

6. How market information is helpful to invention of new product in the market?

1. It is crucial for a better understanding of your customers
 - ❖ Who will buy your product? How often will they buy? What do they need? What do they want, expect?
 - ❖ This will result directly in meeting the customer's needs better than your competitors.
 2. Knowledge about your competitors, and how they approach the market
 - ❖ Market information will help assess the market to identify both key players and those on the rise.
 - ❖ Furthermore, it will help you find the weaknesses in your competitor's approach.
 3. Testing your product before launch
 - ❖ Every business decision should be tested before fully exposing to your target audience.
 - ❖ With market research, you find out what approach you should take when marketing the product
 4. You won't go out of business
 - ❖ In order to remain in business and stay relevant, you should not only anticipate change, but you need to be able to predict change too
 5. Business growth
 - ❖ The process of market research itself is designed to reduce the risk and to make the marketing strategy cost-effective for your business.
-

CHAPTER 15: RECENT TRENDS IN MARKETING**I. Very Short Answer Questions:****1. What is E business?**

- If all the business transaction carried out through internet and other online tools is called E-business.
- Electronic business (e-business) via, web, internet, intranets, extranets or some combination thereof to conduct business.

2. What is green marketing?

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 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.

4. Define E-Marketing.

"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)"

-Judy Strauss

5. What is 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.
- The customer receives the product at their preferred address through courier service.

6. What is 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.
- Example, Asking people not to smoke in public areas

II. Short Answer Questions:**1. What is B2B and B2C type of E-Commerce?**

B2B (Business to Business):

- B2B e-Commerce is an online business model that facilitates online sales transactions between two businesses.
- For example, an online retailer that sells office furniture is a B2B business because its primary target market is other businesses

B2C (Business to Customer):

- B2C e-Commerce refers to the process of selling to individual customers directly.
- An example of a B2C transaction would be someone buying a pair of shoes online

2. Explain the importance of social marketing.

- The primary aim of social marketing is 'social good' such as anti-tobacco, anti-drug, anti-pollution, anti-dowry, road safety, protection of girl child, against the use of plastic bags.
- Social marketing promotes the consumption of socially desirable products and develops health consciousness.
- It helps to eradicate social evils that affect the society and quality of life

3. Discuss the objectives 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.

4.Elucidate how E-Commerce differs from 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.

5.Explain in detail about Niche marketing.

- Niche marketing denotes a strategy of directing all marketing efforts towards one well defined segment of the population.
- A niche market does not mean a small market, but it involves specific target audience with a specialized offering.
- The sports channels like STAR Sports, ESPN, STAR Cricket and Fox Sports target the niche market of sports enthusiasts.

III.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.Explain advantages and disadvantages of E-tailing.**Advantages:****1. Cost:**

- E-tailware software helped retailers in updating the information against competition & avoids the expenses by creating online catalogues instead of paper catalogue.

2. Global bazaar:

- E-tailing creates a global bazaar style marketplace that gathers many consumers and many retailers.

3. Access (no physical location):

- Travelling is not required to see and compare products since all information about the products are available online.

4. Inventory:

- Inventory of the products can be placed in larger quantity with all ranges available with a particular retailer without worrying about the space limitation and shelf availability for that product.

5. Flexible time:

- Time flexibility in accessing the shop is a significant advantage of e-tailing. A customer can access the shop 24/7 according to their need and comfort.

Disadvantages:**1. Personal information:**

- While shopping through the online media, consumers are confronted with a lot of security issues.

2. Technical issues:

- The other major concerns are related to technical problems like security and confidentiality of information, speed of access, etc

3. Mode of payment related issues:

- Credit cards are the preferred mode of payment for all online purchases. There is always a possibility of misuse of the card details as the e-tailers cannot capture any signatures of the cardholder.

4. Customer service, distribution and logistics related issues:

- It is evident that e-tailing facilitates business transactions but care should be taken to ensure that the products are delivered on time.

5. Shopping is still a touch-feel-see-hear experience:

- Indian shoppers want to touch, feel and examine the product before they buy it.

3. Describe the various strategies pursued in recent day's marketers.**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.
- The customer receives the product at their preferred address through courier service.

Niche marketing.

- Niche marketing denotes a strategy of directing all marketing efforts towards one well defined segment of the population.
- A niche market does not mean a small market, but it involves specific target audience with a specialized offering.
- The sports channels like STAR Sports, ESPN, STAR Cricket and Fox Sports target the niche market of sports enthusiasts.

Green marketing:

- 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.

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.
- Example, Asking people not to smoke in public areas

Multilevel Marketing:

- Multilevel Marketing is the marketing strategy wherein the direct sales companies encourage its existing distributors to recruit new distributors to facilitate the sale of goods and services.

4. Compare the concept of social marketing with service 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.
- The primary aim of social marketing is 'social good' such as anti-tobacco, anti-drug, anti-pollution, anti-dowry, road safety, protection of girl child, against the use of plastic bags.
- Social marketing promotes the consumption of socially desirable products and develops health consciousness.
- It helps to eradicate social evils that affect the society and quality of life

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-median.

5. Discuss any two new methods of marketing with its advantages.**Viral marketing :**

Viral Marketing is that which is able to generate interest and the potential sale of a brand or product through messages that spread like a virus, in other words, quickly, and from person to person. The idea is for it to be the users themselves that choose to share the content.

Low cost:

What characterizes viral campaigns is that the users do a significant part of the work for us, which drastically cuts down the costs of dispersion: it becomes unnecessary to buy advertising or space on the media.

Potential of great reach:

A viral video on the Internet has the ability to reach a huge international audience without us having to invest money or make any extra effort.

It is not invasive:

In viral marketing, the decision to participate and share always comes from the user, and so it never comes across as invasive.

It helps build up your brand:

We are creating content so incredible that users themselves decide to share it and, hence create a personal connection with your brand. It is without a doubt an extremely powerful tool when it comes to branding and awareness.

Niche Marketing:

Niche marketing denotes a strategy of directing all marketing efforts towards one well defined segment of the population. A niche market does not mean a small market, but it involves specific target audience with a specialized offering.

Less competition :

Unlike in generalized marketing where market competition is still, niche marketing has quite less competition for the viable customers purchasing the products.

Brand loyalty :

Niche marketing makes it possible for businesses to build their brand loyalty. This marketing approach lets you provide customers with products and services they need and desire.

Best for giving marketing insight:

Once you begin to concentrate fully on niche marketing, you will learn about new products, innovations and ideas about the market

Wide Reach:

With this approach, you will be able to reach a larger percentage of people who are more likely to use your services or purchase your products.

CHAPTER 16: CONSUMERISM**I. Very Short Answer Questions:****1. Who is a 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. One, who avails services such as banking, transport, insurance, etc., is also called a consumer.

2. Define Consumerism.

“Consumerism is an attempt to enhance the rights and powers by buyers in relation to sellers”

-L. Massie

3. Give two examples of adulteration.

- Mixing of stones with grains
- Mixing of coconut oil with palmolein
- Papayas seed is added to black pepper

4. What is Caveat Emptor?

- ‘Caveat emptor’ is a Latin term that means "let the buyer beware."
- 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

5. What is Caveat Venditor?

- The principle of caveat venditor, which means "let the seller beware," by which goods are covered by an implied warranty of merchantability.
- Sellers assume much more responsibility for the integrity of their goods in the present day.

6. Write a short notes on Consumer Protection Act, 1986.

- The Act is referred in short as ‘COPRA’.
- The Consumer Protection Act 1986 seeks to protect and promote the interests of consumers.
- The act provides safeguards to consumers against defective goods, deficient services, unfair trade practices, and other forms of their exploitation.

II. Short Answer Questions:**1. Which are the three constituent elements of business?**

- The producer, the consumer and the government are the three constituent elements of business. The consumer is the most exploited constituent in the business world.

2. What are the important legislations related to consumerism in India?

- ✓ The Indian Contract Act, 1982 was passed to bind the people on the promise made in the contract.
- ✓ The Agricultural Products Grading and Marketing Act, 1937 ensures the supply of agricultural commodities at high quality.
- ✓ The Trademark Act, 1999 prevents the use of fraudulent marks on the product.
- ✓ The Competition Act, 2002 protects the consumers against unhealthy competition.

3. What is meant by artificial scarcity?

- ✓ There are certain situations where the shop-keepers put up the board ‘No Stock’ in front of their shops, even though there is plenty of stock in the store.
- ✓ In such situations consumers who are desperate to buy such goods have to pay high price to buy those goods and thus earning more profit unconscientiously.
- ✓ Even in Cinema houses, board may hang in the main entrance ‘House Full’ while cinema tickets will be freely available at a higher price in the black market.

4. Write the importance of consumerism.

- ✓ Awakening and uniting consumers.
- ✓ Discouraging unfair trade practices.
- ✓ Protecting against exploitation.
- ✓ Awakening the government.
- ✓ Effective implementation of consumer protection laws.
- ✓ Providing complete and latest information.

5. What is the role of Government in consumer protection?

- ✓ Since most of consumers including academically educated are illiterate about their rights and hence passive. Government should assure an active role in safeguarding the consumers.
- ✓ Government both the central and the state have brought out a number of legislations to protect the interest of consumers across the country.

III. Long Answer Questions:

1. How consumers are exploited?

1. Selling at Higher Price

The price charged by the seller for a product service may not be matching with the quality but at times it is more than the fair price.

2. Adulteration

It refers to mixing or substituting undesirable material in food. This causes heavy loss to the consumers. This will lead to monetary loss and spoil the health.

3. Duplicate or Spurious goods

Duplicates are available in plenty in the market for every original and genuine parts or components like automobile spare parts, blades, pens, watches, radios, medicines, jewellery, clothes and even for currency notes.

4. Sub-standard

On opening a packet or sealed container one may find the content to be of poor quality. a consumer finds it difficult to exchange the defective one for good one. Some seller give bills which contain a stipulation that goods sold cannot be taken back.

5. Warranty and Services

Warranty service may not be extended to many parts/components of the product sold. Thus consumers may be charged exorbitant charges in the name of repair costs.

6. False Advertisements

Advertisements convey very little information about the product. Many times it makes false representation about the quality, price, grade, composition, utility guaranteed, performance etc.

2. Explain the role of business in consumer protection.

1. Avoidance of Price Hike

Business enterprises should stop from hiking the price in the context of critical 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.

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. Consumer Grievances

Where the business enterprises have customer care department, it should handle the grievances' of consumer immediately or within a definite time frame.

3. What are the needs for consumer protection?

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- ❖ Though consumer is said to be the king of entire business sphere, his interests are virtually neglected.
- ❖ Shortage of goods makes the consumers to be content with whatever is offered for sale.
- ❖ Quality is sacrificed: warranty of performance has no meaning; health hazard is never considered; profit maximisation turns out to be sole consideration of business enterprises.
- ❖ The other and highly injurious practice by the suppliers, especially in India, is widespread practice of adulteration of commodities.
- ❖ For instance, in case of drugs manufacturers generally charge high prices which are much above their cost of production. Some pharmaceutical companies misuse their patent rights to exploit consumers.
- ❖ The cost of advertisement is added to the cost of production and this leads to very high prices being charged from the consumers
- ❖ Misleading advertising is another means by which the producers deceive the consumers
- ❖ It is due to the above practices of the manufacturers and suppliers which have resulted in consumer protection movement and have forced the governments to enact legislation to protect the consumers.

4. Explain the role of consumers in Consumer Protection..

- ❖ Ultimately it is the consumer who alone can put an end to all their unethical trade practices.
- ❖ Business enterprises may break the codes and Government may rest content with mere enactment of laws and do little to protect consumers.
- ❖ In this context consumers have to be vigilant and organise themselves into a movement for concerted action.

Activation of Consumer Action Councils

- ✓ Consumer action councils established at village levels should educate consumers of the right.
- ✓ Consumer protection agencies should take necessary steps to investigate consumer complaints and grievances and arrange to forward them to correct forum.
- ✓ It should regulate business enterprises according to the rules of the industry.
- ✓ Voluntary consumer groups should provide information so as to educate consumers on matters affecting them through media.
- ✓ It should organise movement against the malpractice of manufacturers and traders.
- ✓ Consumer cooperatives need to be strengthened.
- ✓ Consumer groups should contact the legislators to raise the consumer issues in Assembly and Parliament.
- ✓ There should be testing laboratories at each district to test the purity of goods.
- ✓ Voluntary consumer organisations should publicise the malpractices of manufacturers and traders by media.

5. What are the objectives of Consumer Protection Act, 1986?

- ✓ Protection of consumers against marketing of goods which are hazardous and dangerous to life and property of consumers.
- ✓ Providing correct and complete information about quality, quantity, purity, price and standard of goods purchased by consumers.
- ✓ Protecting consumers from unfair trade practices of traders.
- ✓ Empowering consumers to seek redressal against exploitation
- ✓ Educating the consumer of their rights and duties
- ✓ Ensuring better standard of living for consumers by providing them with quality products at fair price.
- ✓ Putting in place right mechanism like councils and other authorities to enable the consumers to enforce their rights.

6. Write about five important consumer legislations.

1. **The Indian Contract Act, 1982** was passed to bind the people on the promise made in the contract.
2. **The Agricultural Products Grading and Marketing Act, 1937** ensures the supply of agricultural commodities at high quality.
3. **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.
4. **The Trademark Act, 1999** prevents the use of fraudulent marks on the product.
5. **The Competition Act, 2002** protects the consumers against unhealthy competition.
6. **The Drugs and Cosmetics Act, 1940** ensures the safety of drugs and cosmetics sold in India.
7. **The Food Safety Standard Act, 2006** regulates the manufacture, storage, and distribution of food in safe and wholesome condition to consumers.

7. What are the salient features of the Consumer Protection Act, 1986?

- ✓ Protecting consumers against products and services which are harmful to the health of consumers.
- ✓ Protecting consumers from the breach of contract by sellers /manufacturers.
- ✓ Ensuring consumers with supply of goods at fair quality.
- ✓ Safeguarding consumers against misleading and untrue messages communicated through advertisement.
- ✓ Ensuring that consumers are charged fair price.
- ✓ Ensuring uninterrupted supply of goods.
- ✓ Ensuring the availability of goods incorrect quantity and right size.
- ✓ Protecting the consumers against unfair trade practices of unscrupulous trader
- ✓ Protecting the consumers against pollution of various kinds
- ✓ Protecting consumers against the evil effect of competition.

8. What are the objectives of United Nations guidelines for consumer protection?

- ✓ To assist countries in achieving or maintaining adequate protection for their population as consumers
 - ✓ To facilitate production and distribution patterns responsive to the needs and desires of consumers
 - ✓ To encourage high levels of ethical conduct for those engaged in the production and distribution of goods and services to consumers
 - ✓ To assist countries in curbing abusive business practices by all enterprises at the national and international levels which adversely affect consumers
 - ✓ To facilitate the developing of independent consumer groups
 - ✓ To further international co-operation in the field of consumer protection
 - ✓ To encourage the development of market conditions which provide consumers with greater choice at lower prices
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CHAPTER 17: CONSUMER PROTECTION**I. Very Short Answer Questions:****1. Write short notes on: "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.
- ❖ The package should contain the full details about the name of the product, composition, dosage, date of manufacturing, date of expiry, batch number, warnings, antidote etc.
- ❖ Manufacturer and the dealer are expected to disclose all the material facts relevant and relating to the product.

2. What do you understand about "Right to Safety"?

The consumers are entitled to protection of their health and safety from the goods and services they buy. They should not be supplied goods or services which are hazardous to their health and safety.

3. What are the rights of consumer according to John F. Kennedy?

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."

4. Which is the supreme objective of business?

- ❖ The modern marketing concept recognises that the consumer is the pivotal point around which the business moves.
- ❖ Satisfaction of consumer needs/requirements is stated to be supreme objective of a business.

5. What are the important aspects to be kept in mind by consumer while purchasing goods related to the quality of goods?

- ❖ 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.

II. Short Answer Questions:**1. What do you understand by "Right to redressal".**

- ❖ 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 settlement of deserving claims in a definite timeframe.

2. Define "Consumer Rights".

Consumer Protection Act, 1986. According to this law, everybody including individuals, a firm, a Hindu undivided family and a company, has the right towards the purchase of goods made by them. It is the significant that, as a consumer, everyone should know the basic rights as well as about the courts and procedures that follow with the infringement of one's rights.

3. What do you understand about "Right to protection of health and safety".

- ❖ There may be few products that are more likely to cause physical danger to consumers' health, lives and property.
- ❖ They may contain potentially harmful substances which are dangerous from the consumer welfare point of view. The health hazards which are likely to arise have to be eradicated or reduced altogether.
- ❖ The consumers are entitled to protection of their health and safety from the goods and services they buy. They should not be supplied goods or services which are hazardous to their health and safety.

III. Long Answer Questions:

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1. What are the rights of consumers?**Right to protection of health and safety:**

- ❖ There may be few products that are more likely to cause physical danger to consumers' health, lives and property.
- ❖ The consumers are entitled to protection of their health and safety from the goods and services they buy. They should not be supplied goods or services which are hazardous to their health and safety.

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.
- ❖ The package should contain the full details about the name of the product, composition, dosage, date of manufacturing, date of expiry, batch number, warnings, antidote etc.

Right to redressal:

- ❖ 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.

Right to Consumer Education:

- ❖ The consumer has a right to acquire knowledge and stay well-informed all through his life.
- ❖ He should be aware about his rights and the reliefs granted to him where a product or service falls short of his expectations.

Right to Basic Needs:

- ❖ Every consumer has a right to get basic necessities of life such as food, clothing and water, and right to pure and healthy environment. It is the latest addition to consumer bill of rights.

Right to Consumer Protection:

- ❖ The consumer has a right to be aware of his rights and remedies available to him, redress his grievances through publicity in the mass media.
- ❖ Consumer has a right to be protected against goods and services which are hazardous to life and health.

2. Explain the duties of consumers.**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.

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.

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.

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.

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.

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.

3. What are the responsibilities of consumers?

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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 incase 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.
8. The consumer must get cash receipt as a proof of goods purchased from the seller.
9. The consumer must file a complaint with the seller concerned about defects or short comings noticed in their products and services.
10. The consumer should never compromise on the quality of goods. The consumers must watch for ISI, Agmark, FPO, the standard quality certification marks and the like in the label.
