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COMMERCE

HIGHER SECONDARY SECOND YEAR

Study Material



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Class & Section: _____

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UNIT – 1 MANAGEMENT PROCESS

1. PRINCIPLES OF MANAGEMENT

II. Very Short Answer Questions:

1. What is Management?

- ❖ Management is the art of getting things done with and through others.
- ❖ It is the function of guiding, directing and unifying human efforts and for activities for the achievement of given jobs.

2. List out the management tools.

- ❖ Bench Marking
- ❖ Strategic Planning
- ❖ Mission Statement

3. Who is a manager?

In the words of Louis A. Allen “A Professional manager is one who specializes in the work of planning, organizing, leading and controlling the efforts of others.

4. State the meaning of Authority.

The power and right of a person to use and allocate the resources efficiently, to take decisions and to give orders so as to achieve the organizational objectives.

5. What do you mean by Span of Management?

- The number of subordinates that a superior can effectively supervise is known as span of management.
- It is also called as span of control

III. Short Answer Questions:

1. Define the term management.

- ★ According to Peter F. Drucker, “Management is a multipurpose organ that manages a business and manages manager, and manages worker and work.
- ★ According to Henry Fayol, “To manage is to forecast, to organize, to command, to co-ordinate and to control.”

2. Is management an Art or Science?

- Management is a science because it has developed certain principles which are of universal application.
- The results of management depend upon the personal skill of managers and in this sense management is an art.
- To conclude Management is 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.

3. Differentiate management from Administration.

S.NO	BASIS OF COMPARISON	MANAGEMENT	ADMINISTRATION
1.	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.
2.	Authority	Middle and Lower level	Top Level
3.	Role	Executive	Decisive
4.	Concerned with	Policy Implementation	Policy Formulation

4. What are the principles of Taylor?

- ❖ Science, Not Rule of Thumb
- ❖ Harmony, Not Discord
- ❖ Mental Revolution
- ❖ Cooperation, Not Individualism

5. What determines the span of management?

The span of management can be determined on the basis of a number of relationships that a manager can manage. The following are the factors determine the span of management:

- Capacity of superior
- Capacity of subordinate
- Nature of work
- Planning

IV. Long Answer Questions:

1. Write about the contribution of Drucker to management.

Definition: According to Peter F. Drucker, “Management is a multipurpose organ that manages a business and manages manager, and manages worker and work”.

Drucker stresses three jobs of management:

- Managing a business
- Managing manager and
- Managing workers and work

Peter Drucker's Contribution to Management Theory:

- ★ Drucker taught that management is a liberal art and is about much more than productivity.
- ★ To be an effective manager, he/she must understand things like psychology, science, religion and the other things that go into the subject
- ★ Drucker observed that often managers would try to take charge of everything. Managers needed to delegate tasks to empower their employees.
- ★ His theories reflect how important business environments are and the opportunity that managers have to create positive change and progress in the workplace.

2. Explain the management process in detail.

- ❖ A process is something that what a person does in the context of his individual duties and responsibilities assigned by her/his immediate higher authority.
- ❖ A process indicates the dynamic nature of management.
- ❖ Management is regarded as a social process because it is directly concerned with management of human resources
- ❖ There are twin purposes of the management process:
 - Maximum productivity or profitability
 - Maximum human welfare and satisfaction
- ❖ There are five process of management. They are:
 - Management is Co-ordination
 - Management is a process
 - Management is a purposive process
 - Management is a social process
 - Management is a cyclical process

3. Describe the principles of scientific management.

Principles of scientific management propounded by Taylor are :

1) Science, Not Rule of Thumb:

- Rule of Thumb means decision taken by manager as per their personal judgments.
- Decisions should be based on scientific enquiry with cause and effect relationships.

2) Harmony, Not Discord:

- ❖ Taylor emphasized that there should be complete harmony between the workers and the management since if there is any conflict between the two
- ❖ It means that there should be complete change in the attitude and outlook of workers and management towards each other.

3) Mental Revolution:

- Mental Revolution involves a change in the attitude of workers and the management towards each other.
- Management as well as the workers should aim to increase the profits of the organization.

4) Cooperation, Not Individualism:

- ❖ It lays stress on mutual cooperation between workers and the management.
- ❖ Workers should be treated as integral part of organization and all important decisions should be taken after due consultation with workers.

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

- Providing training to the workers was considered essential in order to learn the best method developed through the use of scientific approach.
- The work assigned to each employee should suit his/her physical, mental and intellectual capabilities.

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 which every manager has to practice for the success of the organization.

1) Division of Work:

- According to this principle the whole work is divided into small tasks.
- The specialization of the workforce according to the skills of a person, 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:

- Each subordinate should receive orders and be accountable to one and only one superior.
- 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 and one manager.
- There should be one plan of action for them.

6) Subordination of Individual Interest to Mutual Interest:

- The management must put aside personal considerations and put company objectives firstly.
- The interests of goals of the organization must prevail over the personal interests of individuals.

7) Remuneration:

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

8) The Degree of Centralization:

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

9) Line of Authority/Scalar Chain:

- This refers to the chain of superiors ranging from top management to the lowest rank.
- The principle suggests that there should be a clear line of authority from top to bottom linking all managers at all levels.

10) Order:

- Social order ensures the fluid operation of a company through authoritative procedure.
- Material order ensures safety and efficiency in the workplace.

11) Equity:

- Employees must be treated kindly, and justice must be enacted to ensure a just workplace.
- 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 must not frequently enter and exit the organization.

13) Initiative:

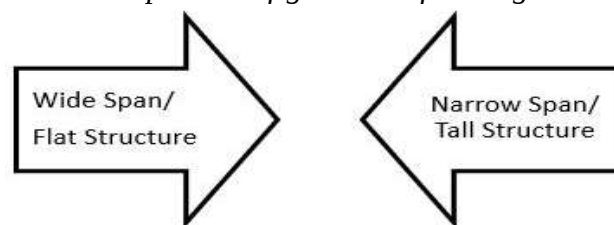
- Using the initiative of employee can add strength and new ideas to an organization.
- Initiative on the part of employees is a source of strength for organization .

14) Esprit de Corps/Team Spirit:

- 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 refers to the number of subordinates who can be managed efficiently by a superior.
- ❖ The manager having the group of subordinates who report him directly is called as span of management.
- ❖ It has two implications:
 - ✧ *Influences the complexities of the individual manager's job.*
 - ✧ *Determine the shape or configuration of the organization.*

**Wide Span of Management:**

- ❖ 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:

- ❖ 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.
- ❖ Lack of coordination and control because the operating staff is far away from the top management.

2. FUNCTIONS OF MANAGEMENT

II. Very Short Answer Questions

1. Write a short note about planning.

- Planning is the primary function of management.
- Planning is a constructive reviewing of future needs so that present actions can be adjusted in the view of the established goal.

2. What is meant by motivation?

Motivation is the psychological technique of executing plans and policies through the efforts of others.

3. What is meant by controlling?

The function of controlling consists of the activities of the people who conform to the plans and objectives of the organization.

4. How do you coordinate your classroom with peace?

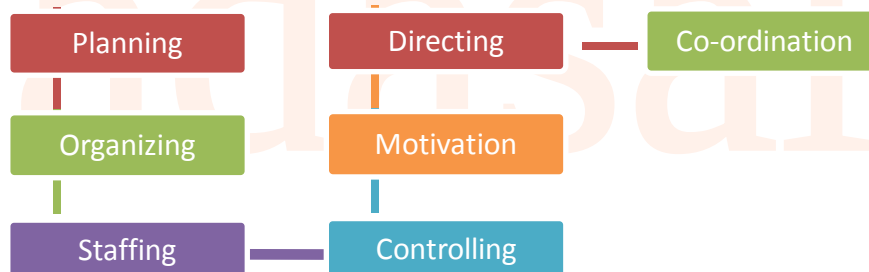
- Children from various sources come to school with those who are different from them, from other cultures.
- It is high time the teachers and government should take necessary steps for avoiding the cultural and other problems.

5. What is meant by Innovation?

Innovation refers to the preparation of personnel and organization to face the changes made in the business world.

III. Short Answer Questions

1. List out the main functions of management?



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2. State the importance of staffing.

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

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.

4. State the importance of Motivation.

- Motivation helps to achieve the goal.
- Motivation is done by resourceful leader.
- It helps in improving performance level
- It helps in changing negative or indifferent attitudes of employees.

5. What are the main duties of a manager?

- ❖ Management's Interpersonal Role
- ❖ Management's Disseminator Role
- ❖ Management's Decision-making Role

IV. Long Answer Questions

1. Explain the various functions of management?

Main Functions

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

1. Planning

Planning is a constructive reviewing of future needs so that present actions can be adjusted in view of the established goal.

2. Organizing

Organizing is the process of establishing harmonious relationship among the members of an organization and the creation of network of relationship among them.

3. Staffing

Staffing includes selection of right persons, training to those needy persons, promotion of best persons, retirement of old persons, performance appraisal of all the personnel.

4. Directing

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

5. Controlling

Controlling is performed to evaluate the performance of employees and deciding increments and promotion decisions.

6. Co-ordination

Co-ordination is the synchronization of the actions of all individuals, working in the enterprise in different capacities.

7. Motivating

Motivation includes increasing the speed of performance of a work and developing a willingness on the part of workers.

Subsidiary Functions

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

1. Innovation

Innovation refers to the preparation of personnel and organisation to face the changes made in the business world.

2. Representation

A manager has to act as representative of a company. Manager has dealings with customers, suppliers, government officials, banks, financial institutions, trade unions and the like.

3. Decision-making

- ❖ Every employee of an organization 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. Workers are informed about what should be done, where it is to be done.

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

II. Very Short Answer Questions

1. Define – MBO

Prof. Reddin defines MBO as, “the establishment of effective standards for managerial positions and the periodic objectives linked vertically and horizontally and with future planning”.

2. What are the objectives of MBO?

- To relate individual performance to organizational goals
- To clarify both the job to be done and the expectations of accomplishment

3. Bring out the meaning of MBE.

Management by Exception is an important principle of managerial control suggested by the classical Writers on management. It is a style of business management that focuses on identifying and handling cases that deviate from the norm.

4. Mention any two advantages of MBO?

- ❖ MBO process helps the managers to understand their role in the total organization.
- ❖ MBO provides a foundation for participative management. Sub-ordinates are also involved in the goal setting.

5. Write any two importance of MBE.

- ★ It saves the time of managers because they deal only with exceptional matters.
- ★ It focuses managerial attention on major problems.

6. What is known as KRA?

- KRA stands for Key Responsibility Areas.
- It represents the areas in which the employee is expected to perform.

III. Short Answer Questions

1. Write the features of MBO.

- ❖ An attempt is made by the management to integrate the goals of an organization and individuals.
- ❖ MBO tries to combine the long run goals of organization with short run goals.
- ❖ Management tries to relate the organization goals with society goals.

2. What are the process involved in MBO?

- Defining Organizational Objectives
- Goals of each section
- Fixing Key Result Areas
- Setting Subordinate Objectives or Targets

3. What are the process of MBE?

- ❖ It is necessary to set objectives or norms with predictable or estimated results.
- ❖ These performances are assessed and get equated to the actual performance.
- ❖ With an insignificant or no deviation, no action is required and senior managers

4. List out any Four process of MBO.

- ★ Defining Organizational Objectives
- ★ Goals of each section
- ★ Fixing Key Result Areas
- ★ Setting Subordinate Objectives or Targets

IV. Long Answer Questions:

1. What are the major advantages of MBO?

- ✧ Managers are involved in objectives setting at various levels of management under MBO and this commitment ensures hard work to achieve them.
- ✧ Manager recognizes the need for planning and appreciates the planning.
- ✧ MBO provides a foundation for participative management. Sub-ordinates are also involved in goal setting.
- ✧ A department does not work at cross purpose with another department. In other words, each department's objectives are consistent with the objectives of the whole organisation.
- ✧ MBO motivates the workers by job enrichment and makes the jobs meaningful.
- ✧ Decision is taken by the management very quickly. The reason is that each worker knows the purpose of taking a decision and does not oppose the decision.

2. What are the advantages of MBE?

Management by exception provides the following benefits:

- ❖ It saves the time of managers because they deal only with exceptional matters.
- ❖ It focuses managerial attention on major problems. As a result, there is better utilization of managerial talents and energy.
- ❖ It facilitates delegation of authority. Top management concentrates on strategic decisions and operational decisions are left to the lower levels.
- ❖ It is a technique of separating important information from unimportant one. It forces managers to review past history and study related business data for identifying deviations
- ❖ MBE keeps management alert to opportunities and threats by identifying critical problems. It can avoid uninformed and impulsive action.
- ❖ Management by exception provides better yardsticks for judging results. It is helpful in objective performance appraisal.

3. Explain the various disadvantages of MBO.

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

- 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?
- MBO is a time consuming process.
- It leads to heavy expenditure and also requires heavy paper work.
- MBO emphasizes only on short-term objectives and does not consider the long-term objectives.
- The status of subordinates is necessary for proper objectives setting. But, this is not possible in the process of MBO.
- 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.

- ➔ 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. It takes time to pass the issues to managers.
- ➔ Managing employees who deviate from the normal procedures.
- ➔ Because of compliance failures are considered difficult to manage and typically find themselves with limited job duties and ultimately dismissed/terminated.

UNIT-2 FINANCIAL MARKETS – I

CHAPTER4. INTRODUCTION TO FINANCIAL MARKETS

II. Very Short Answer Questions:

1. What are the components of organized sectors?

- ❖ Regulators
- ❖ Financial Institutions
- ❖ Financial Markets
- ❖ 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
- ➔ A 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. it includes Government Bonds or Securities, Corporate Debentures or Bonds.

5. How is prize decided in a secondary market?

The determination of the price of the traded financial asset is done through the interaction of buyers and sellers

III. 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'.

Definition:

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.

Spot Market	Future Market
Spot market is a market where the delivery of the financial instrument and payment of cash occurs immediately	Future Market is a market where the delivery of asset and payment of cash takes place at a pre-determined time frame in future
Settlement is completed immediately	Settlement will be done by two or more Installments

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.
- ❖ 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.

- Through the financial market the institutions get their short term and long term financial assistance.
- It leads to the overall economic development.

IV. Long Answer Questions:

1. Distinguish between new issue market and secondary market.

Basis For comparison	New Issue Market	Secondary Market
1. 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)
2. Buying	Direct	Indirect
3. Financing	It supplies funds to budding enterprises and also to existing Companies for expansion and diversification	It does not provide funding to companies
4. How can securities be sold?	Only once	Multiple times
5. Intermediary	Underwriters	Brokers
6. Price	Fixed price	Fluctuates, depends on the demand and supply force

2. Enumerate the different kinds of financial markets.

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.

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.

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.

II. 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

II. Very Short Answer Questions:

1. What is Capital Market?

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

2. Write a note on OTCEI.

- ❖ OTCEI was made up 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'.

4. Who are the Participants in a Capital Market?

- Individuals
- Corporate Sectors
- Government Banks
- Other Financial Institutions.

5. How is price determined in a Capital Market?

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

III. Short Answer Questions:

1. What are the various kinds of Capital Market? Explain.

I. Primary Market

- Primary market is a market for new issues or new financial claims. also called New Issue Market.
- The primary market deals with those securities which are issued to the public for the first time.

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.
- ❖ It covers both stock exchange and over-the counter market.

2. Explain any two functions of capital Market.

i) Savings and Capital Formation

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

ii) Industrial Growth

- The stock exchange is a central market through which resources are transferred to the industrial sector of the economy.
- Thus it stimulates industrial growth and economic development of the country by mobilizing funds for investment in the corporate securities.

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

- ❖ National Trade Comparison and Reporting System which prescribes the terms and conditions of contract for the securities market.
- ❖ NCS aims at determining the net cash and stock liability of each broker on a settlement date
- ❖ National Depository System which arranges to provide for the transfer of ownership of securities in exchange.

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.
- 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:

- 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 Capital 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.

IV. 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 well-known 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.).

ii) Permanent Capital

The investors cannot commit their funds for a permanent period but companies require funds permanently.

iii) Industrial Growth

The stock exchange is a central market through which resources are transferred to the industrial sector of the economy.

iv) Reliable Guide to Performance

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

v) 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.

vi) Development of Backward Areas

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

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.

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.

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.

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

vi) 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.

CHAPTER 6 - MONEY MARKET

II. 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 Market:** A Market for the purchase and sale of Treasury Bills is known as a "Treasury Bills Market".

➔ **Commercial Bill :** The Commercial Bill is an instrument drawn by a seller of goods on a buyer of goods. These bills are of 30 days; 60 days and 90 days maturity.

7. What do you mean 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 mean 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'.

III. Short Answer Questions:

1. What are the features of Treasury Bills?

- Issuer
- Finance Bills
- Liquidity
- Vital Source
- Monetary Management

2. Who are the participants of Money Market?

- ◆ Government of different countries
- ◆ Central Banks of different countries
- ◆ Private and Public Banks
- ◆ Mutual Funds Institutions
- ◆ Insurance Companies
- ◆ Non-Banking Financial Institutions
- ◆ State Governments
- ◆ Public

3. Explain the types of Treasury Bills?

Treasury Bills may be classified into three.

- 1) **91 days Treasury Bills** - 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** - Do not carry any fixed rate. The discount rate on these bills are quoted in auction by the participants and accepted by the authorities. This rate is known as 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

IV. Long Answer Questions:**1. Define Money Market and Capital Market. Explain the difference between the money market and Capital Market.****Definition:****Money Market**

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

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	Differences	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 loanable funds Exceeding period of one year
2.	Supply of funds	Supplies fund for financing current business operations working capital requirements of industries and short period requirements of the govt.	Supplies find for financing the fixed capital requirements of trade and commerce as well as the long term requirements of the government.
3.	Deals with Instruments	It deals with instruments like commercial bills	It deals with instruments like shares, debentures, Government bonds etc
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 and secondary market.
6.	Place of Transaction	Transactions mostly take place over the phone. there is no formal place	Transactions take place at a formal place. Eg. Stock Exchange

2. Explain the characteristics of Money Market?

The following are features of Money Market.

1. Short-term Funds

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

2. Maturity Period

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

3. Conversion of Cash

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

4. No Formal Place

- ♦ Generally, transactions take place through phone, i.e., oral communication.
- ♦ There is no formal place like stock exchange as in the case of a capital market.

5. Sub-markets

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

6. Role of Market

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

3. Explain the Instruments of Money Market?

There are many kinds of Instruments available in Money Market. In India, till 1986, only a few instruments were available.

- i). Treasury Bills in the Treasury Market
- ii). Money at Call and Short Notice in the Call Loan Market
- iii). Commercial Bills and Promissory Notes in the Bill Market:
 - ♦ Commercial Papers
 - ♦ Certificate of Deposits
 - ♦ Inter-Bank participation Certificates.
 - ♦ Repo Instruments.

4. Explain the features and types of Commercial Bills?

The features of the Commercial Bills are as follows:

- | | |
|---------------|---------------------|
| i) Drawer | ii) Acceptor |
| iii) Payee | iv) Discounter |
| v) Endorser | vi) Assessment |
| vii) Maturity | viii) Credit Rating |

The following are the types of Commercial Bill:

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. Indigenous 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?

Characteristics /Features:

Government Securities plays a significant role in the Indian Money Market. The characteristics of Government Securities are discussed below:

1. Agencies

Government securities are issued by agencies such as Central Government, State Governments, semi-government authorities like local Government authorities,

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. Tax Rebate

A striking feature of these securities is that they offer wide-range of tax incentives to investors.

5. Forms

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

6. Participants

The participants in Government securities market include the Government sector comprising Central and State Governments whose holdings represent governmental transfer of resources.

CHAPTER-7 STOCK EXCHANGE

II. 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. It is also called as Stock Market or Share Market.

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.

- ❖ Bombay Stock Exchange (BSE)
- ❖ National Stock Exchange of India (NSE)
- ❖ Calcutta Stock Exchange (CSE)
- ❖ Madras Stock Exchange (MSE)
- ❖ United Stock Exchange of India

4. What is meant by Remisier?

A remisier who is also known as a Commissioned Dealers Representative is an agent of stock broking company.

5. Who is called a Broker?

A broker is a person or a firm who arranges transactions between a buyer and a seller for a commission when the deal is executed.

6. What are the types of Speculator?

- 1) Bull 2) Bear 3) Stag 4) Lame Duck

7. What is meant by Commodity Exchange?

- ★ A stock 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?

- ❖ At present the structure of stock market in India has undergone a vast change due to liberalization process initiated by the Government.
- ❖ A number of new structures have been added to the existing structure of the Indian Stock Exchange. *E.g – National Stock Market System (NSMS)*

9. What is the stock trading time in India?

- The normal trading time for equity market is between 9.15 am to 3.30pm
- The trading time for Commodity market is between 10.00 am to 11.30 pm
- The normal trading time for Agri-community market is between 10.00 am to 5.00 pm.

10. Explain Dalal Street.

- ❖ Dalal Street is an area in downtown Mumbai, India. in 1874 and became the first stock exchange recognized by the Indian Government.
- ❖ The largest stock exchange in India i.e: The Bombay Stock Exchange is situated here.

III. Short Answer Questions:

1. What are the limitations of Stock exchange?

- ⬆ Lack of uniformity and control of stock exchanges.
- ⬆ Absence of restriction on the membership of stock exchanges.
- ⬆ Failure to control unhealthy speculation.
- ⬆ Allowing more than one charge in the place.

2. Explain Bull and Bear.

BULL:

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

BEAR:

- ❖ A bear or Mandiwala speculator expects prices to fall in future and sells securities at present with a view to purchase them at lower prices in future.
- ❖ A bear does not have securities at present but sells them at higher prices in anticipation that he will supply them by purchasing at lower prices in future.
- ❖ A bear usually presses its victim down to ground. Similarly the bear speculator tends to force down the prices of securities.

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 .
- ✧ He selects those companies whose shares are in more demand and are likely to carry a premium.
- ✧ 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.

4. Explain National Stock Market System. (NSMS)

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 there by connecting members scattered all over the India.
- ❖ NSE has two segments, i.e., Debt segment and Capital segment.

IV. Long Answer Questions:

1. Explain the functions of Stock Exchange.

1. Ready and Continuous Market:

- ❖ If an investor wants to sell his securities, he can easily and quickly dispose them off on a stock exchange.
- ❖ This easy marketability of securities increases their liquidity and consequently raises their value.

2. Correct Evaluation of Securities

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

3. Protection to Investors

- ❖ All dealings in a stock exchange are in accordance with well-defined rules and regulations.
- ❖ Stock exchange provides reasonable measure of safety and fair dealing in buying and selling of securities.

4. Proper Channelization of Capital

- ▲ People like to invest in the shares of such companies which yield good profits.
- ▲ The savings of individuals are directed towards promising companies which declare good dividends over a period of time.

5. Aid to Capital Formation

The publicity which the stock exchange gives to various industrial securities and their prices and the facilities provided by it for their purchase and sale induce people to save and invest.

2. Explain the features of Stock Exchange.

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.
- Since it deals with the second hand securities it is known as secondary market.

3. Regulates Trade in Securities

- ❖ stock exchange does not buy or sell any securities on its own account.
- ❖ It merely provides the necessary infrastructure and facilities for trade in securities to its members and brokers who trade in securities.

4. Allows Dealings only in Listed Securities

- Stock exchanges maintain an official list of securities that could be purchased and sold on its floor.

- Such unlisted securities cannot be traded in the stock exchange.

5. Association of Persons

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

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. Capital Formation

It encourages capital formation.

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.

C. Benefits to Investors

i. Liquidity

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

ii. Adding collateral value of security

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

4. Distinguish between Stock Exchange and Commodity Exchange

S.No	Nature	Stock Exchange	Commodity Exchange
1.	Meaning	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.
2.	Function	Providing easy marketability	Offering hedging or price insurance services and liquidity to securities
3.	Object	Object is facilitating capital formation and making best use of capital resources	Object is facilitating goods flow through risk reduction
4.	Participants	Investors and Speculators	Producers, dealers, traders and a body of speculators.
5.	Period of dealings	Cash, ready delivery and dealings for Account for a fortnight	Instant cash dealings and a settlement period of 2 or 3 months for Future Market dealings

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.

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)

II. Very Short Answer Questions:

1. Write short notes on SEBI.

- SEBI is an apex body that maintains and regulates the capital market.
- It was established in the year 1988. It got the statutory powers in the year 1992.

2. Write any two objectives of SEBI.

- 1. Regulation of Stock Exchanges:** The first objective of SEBI is to regulate stock exchanges.
- 2. Control over Brokers :** It is important to supervise/check the activities of the brokers and other middlemen.

3. What is DEMAT account?

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

4. Mention the headquarters of SEBI.

- ➔ Mumbai
- ➔ New Delhi
- ➔ Kolkata
- ➔ Chennai
- ➔ Ahmadabad

5. What are the various ID proofs?

- PAN card
- Voter's ID
- Passport
- Driver's license,

III. Short Answer Questions:

1. What is meant by Dematerialization?

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

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

- ❖ Investors will first have to open an account with a DP (Depository Participant)
- ❖ The investor has to submit proof of identity and address along with the passport size photograph and the account opening form.
- ❖ Then request for dematerialization of certificates through the DP.

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

- ✧ 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 is the buying or selling of a publicly traded company's stock.
- ♦ Insider trading can be illegal or legal depending on when the insider makes the trade
- ♦ It is illegal when the material information is still non-public.

5. Draw the organization structure of SEBI.



IV. Long Answer Questions:

1. What are functions of SEBI?

The following are the functions of SEBI:

- ♦ **Safeguarding the interests of investors** by means of adequate education and guidance. It issues notices and booklets for the information, assistance and protection of small investors.
- ♦ **Regulating and controlling the business on stock markets.** Registration of brokers and sub-brokers is made mandatory and they have to abide by certain regulations and rules.
- ♦ **Conduct inspection and inquiries of stock exchanges,** intermediaries and self-regulating organizations and to take appropriate measures wherever required.
- ♦ **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, and various other intermediaries who might be linked to securities markets in any manner.
- ♦ Carrying out steps in order to develop the capital markets by having an accommodating approach.

2. Explain the powers of SEBI.

The various powers of a Stock Exchange are explained below:

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.

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.

3. Power to Initiate Actions in Functions Assigned

- ❖ SEBI has a power to initiate actions in regard to functions assigned.
- ❖ For example, it 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.

6. Power to Regulate Business of Stock Exchanges

- ❖ SEBI is also empowered to regulate the business of stock exchanges
- ❖ It controls intermediaries associated with the securities market as well as mutual funds, fraudulent and unfair trade practices.

3. What are the benefits of Dematerialization?**Benefits:**

- ❖ The risks pertaining to physical certificates like loss, theft, forgery and damage are eliminated completely with a DEMAT account.
- ❖ The lack of paperwork enables quicker transactions and higher efficiency in trading.
- ❖ Trading has become more convenient as one can trade through computers at any location, without the need of visiting a broker.
- ❖ The shares that are created through mergers and consolidation of companies are credited automatically in the DEMAT account.
- ❖ As all the transactions occur through the depository participant, a trader does not have to communicate individually with each and every company.
- ❖ There is no need for stamp duty for transfer of securities; this brings down the cost of transaction significantly.
- ❖ 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.

UNIT-4 HUMAN RESOURCE MANAGEMENT

9. HUMAN RESOURCE MANAGEMENT

II. Very Short Answer Questions:**1. Give the meaning of Human Resource.**

Human resources are the people who make up the workforce of an organization, business sector, or economy.

2. What is human resource management?

Human Resource Management is a function of management concerned with hiring, motivating and maintaining people in an organization.

3. State two features of HRM.

Universally relevant: The approach and style varies depending the nature of organization structure.

Goal oriented: The accomplishment of organizational goals is made possible.

4. Mention two characteristics of Human Resource.

- ★ Human resource is the only factor of production that lives.
- ★ Human resource created all other resources

5. List the functions of HRM.

- ❖ **Managerial function** – Planning, Organising, Directing, Controlling
- ❖ **Operative function** - Procurement, Development, Compensation, Retention, Integration, Maintenance

III. Short Answer Questions:

1. Define the term Human Resource Management.

Flippo defines Human Resource Management as “the personal function that is concerned with the procurement, development, compensation, integration and maintenance of personnel of an organization for the purpose of contributing towards the accomplishment of that organization’s major goals or objectives”

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

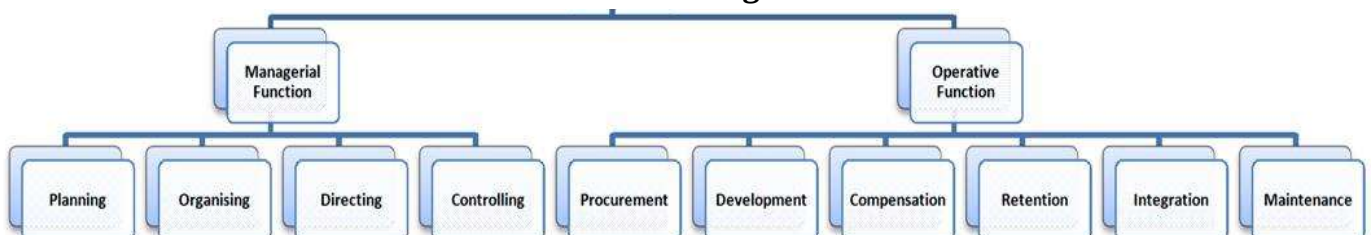
3. Give two points of differences between HR and HRM.

S.No	Basis	Human Resource	Human Resource Management
1.	Nature	It is a wing of HRM that keeps focusing on the growth and development part of the Organizations man power	It is a branch of management, which is concerned with making the best possible use of enterprise’s human resources, by providing better working conditions, to the employees
2.	Time	It is not a continuous process.	It is a continuous process.

4. What is the importance of Human resources?

- ❖ It is only through human resource all other resources are effectively used
- ❖ The sustainable growth of an organization depends on the important resource human resource
- ❖ Industrial relations depend on human resource
- ❖ The skill sets of the human resources can be improved through training and development programmes

5. State the functions of Human Resource Management.



IV. 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 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 resource are movable
- ❖ Human resource can work as a team

2. Describe the significance of human resource management.

1. To identify manpower needs:

Determination of manpower needs in organization of manpower needs in an organization is very important as it is a form of investment.

2. To incorporate change:

Change is constant in any organization 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.

3. To ensure the correct requirement of manpower:

At any time the organization should not suffer from shortage or surplus man power which is made possible Through human resource management.

4. 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.

5. 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.

6. 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.

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

Managerial Functions.

1) Planning-

Planning is deciding in advance what to do, how to do and who is to do it. It helps in the systematic operation of business.

2) 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.

3) Directing

- It involves issue of orders and instructions along with supervision, guidance and motivation to get the best out of employees.
- This reduce waste of time energy and money and early attainment of organizational objectives.

4) Controlling-

The control process includes fixing of standards, measuring actual performance, comparing actual with standard laid down, measuring deviations and taking corrective actions. Supervision, reports, records and audit.

4. Differentiate HR from HRM

S.No	Basis of Difference	Human Resource	Human Resource Management
1.	Meaning	It 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.
2.	Nature	It is a wing of HRM that keeps focusing on the growth and development part of the organizations man power	It is a branch of management, which is concerned with making the best possible use of enterprise's human resources.
3.	Time	It is not a continuous process.	It is a continuous process.
4.	Function	The sustainable growth of an organisation depends on the important resource human resource	Its concerned with hiring, motivating and maintaining people in an organisation.
5.	Objective	To improve the performance of the employees	Human resource exhibits innovation and creativity
6.	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.

Operating Function

- ➔ **Procurement** - Acquisition deals with job analysis, human resource planning, recruitment, selection, placement, transfer and promotion
- ➔ **Development**- Development includes performance appraisal, training, executive development, career planning and development, organizational development
- ➔ **Compensation** – It deals with job evaluation, wage and salary administration, incentives, bonus, fringe benefits and social security schemes
- ➔ **Retention** – this is made possible through health and safety, welfare, social security, job satisfaction and quality of work life
- ➔ **Integration** – It is concerned with the those activities that aim to bring about reconciliation between personal interest and organizational interest
- ➔ **Maintenance** – This encourage employees to work with job satisfaction, reducing labour turnover, accounting for human resource and carrying out audit and research.

10. RECRUITMENT METHODS

II. Very Short Answer Questions:

1. Give the meaning of recruitment.

- ✧ Recruitment is the process of finding suitable candidates for the various posts in an organization.
- ✧ It acts as a link between job provider and job seeker.

2. What is promotion?

- ✧ Promotion means the movement of an employee from his level to the top level.
- ✧ The employees are given up an opportunity to move up in the organization hierarchy.

3. State two benefits of internal source of recruitment.

- ★ Internal source of recruitment helps in increasing morale and retention.
- ★ It helps in continuity of operations.

4. Mention any two features of campus recruitment.

- ◆ Campus recruitment system manages the online details of the students.
- ◆ It manages the information of the students.

5. List the benefits of external source of recruitment.

- Highly qualified and experienced employees may help the organization to come up with better performance.
- External sources are economical because potential employees do not need extra training for developing their skills.

III. 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 organization."

2. What are features of internal source of recruitment?

- ❖ It helps in building the image and reputation of the firm as a preferred employer.
- ❖ Targeted the top performers who can create growth for the firm.
- ❖ Ensure extensiveness and multiplicity in the work place.
- ❖ Ensure a convenient and candidate friendly hiring approach.

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

- ▲ Advertising is where the person presents a program, product, or service to a viewer and it is at their liberty to accept it.
- ▲ Its very expensive method of recruitment

ii. Unsolicited applicants

- ☞ These are the applications of job seekers who voluntarily apply for the vacancies not yet notified by the organisations.
- ☞ Its not an expensive method of recruitment.

4. What is the importance of job portals?

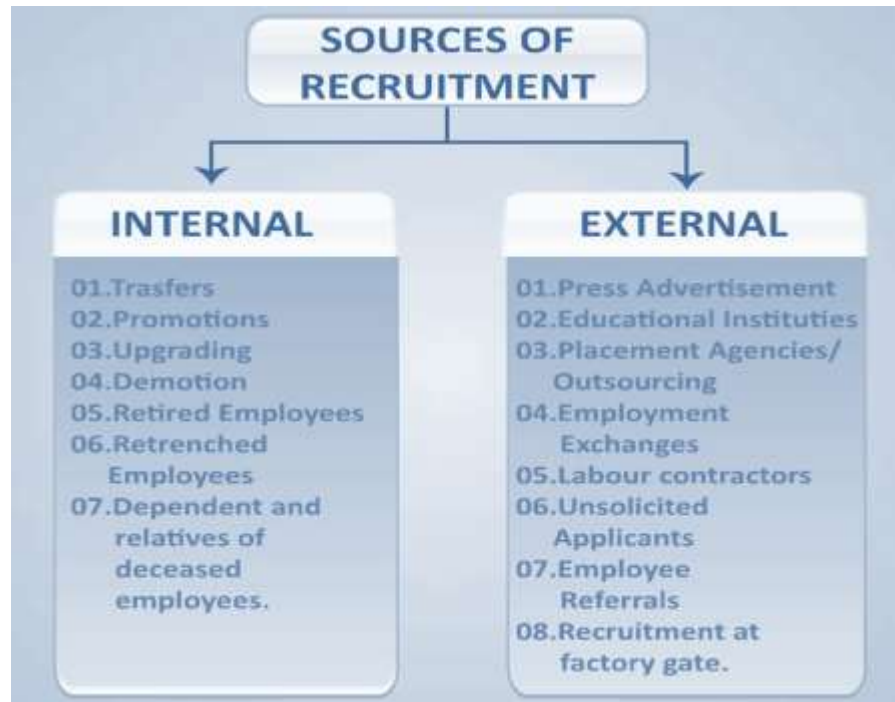
- ✧ The job portals help in catering job seekers and employers from a variety of different educational background.
- ✧ From the perspective of employers, job portals are a quicker and more efficient way to fill a vacancy.
- ✧ Job portals help in managing the company profile.

5. State the steps in recruitment process.

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

IV. Long Answer Questions:

1. Explain the 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. **Job rotation:**-One single employee managing to learn how to perform in more than one job on rotation

External Sources:

→ Direct:

1. **Advertisements:-** The employer can advertise in dailies, journals, magazines etc. about the vacancies in the organisation
2. **Walk ins:-** Walk-in applicants with suitable qualification and requirement can be another source of requirement.
3. **Campus Recruitment:-** The organisations visit the educational institutions to identify and recruit suitable candidates

→ 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.

2. Describe the significance of External source of recruitment.

- ★ Increased Chances
- ★ Fresher skill and input
- ★ Qualified candidates

- ★ Better competition
- ★ Generation of creative ideas
- ★ Lesser internal politics
- ★ Better growth
- ★ Competitive Spirit
- ★ Being fair
- ★ Ideas from other industries

3. Elaborate on the factors affecting recruitment.

- ✧ Size of the organization
- ✧ Recruitment policy of the organization
- ✧ Salary structure of the organization
- ✧ Employment condition of the organization
- ✧ Reputation of the employer
- ✧ Growth level of the firm
- ✧ Environmental factors
- ✧ Human Resource planning
- ✧ Cost of Recruitment
- ✧ Nature of the job

4. Differentiate Recruitment and selection.

S.No	Basis of Difference	Recruitment	Selection
1.	Meaning	Process of sourcing, screening, selecting people for a job in the company	Finding the best candidates among the applications based on their resumes
2.	Objective	It encourages large number of Candidates for a job	It attempts at rejecting unsuitable candidates
3.	Process	Simple Process	Complicated process
4.	Sequence	It preceded selection	It follows recruitment
5.	Time & Cost	Less time required and it is a economical method	Expensive and more time is required.

5. Discuss the importance of Recruitment.

- ❖ 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.

11. EMPLOYEE SELECTION PROCESS

II. Very Short Answer Questions:

1. What is selection?

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

2. What is an interview?

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

3. What is intelligence test?

Intelligence tests are one of the psychological tests, that is designed to measure a variety of mental ability, individual capacity of a candidate.

4. What do you mean by test?

Test is a procedure intended to establish the quality, performance, or reliability of something, especially before it is taken into widespread use.

5. What do you understand about bio data?

A bio-data is the collection of information regarding the socio-economic profile, job, previous experiences, the nature of the work done and achievements of the person who prepared it.

6. What do you mean by placement?

- ✕ Placement is a process of assigning a specific job to each and every candidate selected.
- ✕ Placement signifies placing the right person on the right job in a good manner.

III. Short Answer Questions:

1. What is stress interview?

- ❖ This type of interview is conducted to test the temperament and emotional balance of the candidate interviewed.
- ❖ Interviewer deliberately creates stressful situation by directing the candidate to do irrational and irritating activities.
- ❖ They assess the suitability of the candidate by observing the reaction and response of the candidate to the stressful situations.

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?

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.

- | | |
|----------------------|-----------------------|
| 1). Ability Test | 6). Aptitude Test |
| 2). Achievement Test | 7). Intelligence Test |
| 3). Judgment Test | 8). Personality Test |
| 4). Interest Test | 9). Personality Test |
| 5). Projective Test | 10). Attitude Test |

7. How is panel interview conducted?

- Where a group of people interview the candidate, it is called panel interview.
- 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.

8. List out the various selection interviews.

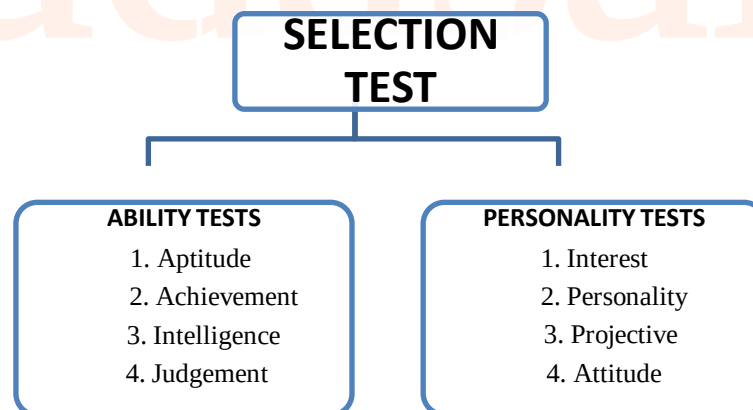
- ✧ Preliminary Interview
- ✧ Structure Interview
- ✧ Unstructured Interview
- ✧ In Depth Interview
- ✧ Pane Interview
- ✧ Stress Interview
- ✧ Telephone Interview
- ✧ Online Interview
- ✧ Group Interview
- ✧ Video Conference Interview

9. List out the significance of placement.

- ★ It improves employee morale
- ★ It helps in reducing conflict rates or accidents
- ★ It avoids misfit between the candidates and the job.
- ★ It involves assigning a specific rank and responsibilities to an individual

IV. 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.

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.
 - ◆ *Numerical Reasoning Test*
 - ◆ *Verbal Reasoning Test*
 - ◆ *Inductive Reasoning test*
 - ◆ *Mechanical Reasoning Test*
 - ◆ *Diagrammatic Reasoning Test*

2. Achievement Test

This test measures a candidate's level of skill in certain accomplishment and knowledge in a particular subject.

3. 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.

4. Judgment Test:

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

B. Personality test:

➔ Personality tests refer to the test conducted to find out the non-intellectual traits of a candidate name temperament, emotional response, capability and stability.

1. Interest Test:

Interest test measure 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 standardized questionnaire is administered to the candidate to find out traits like interpersonal rapport, dominance, intravertness, extravertness, self-confidence, lower sign quality etc.

3. Projective Test / Thematic Appreciation Test:

- This test measures the candidate values, attitude apprehensive personality etc.
- Out of the interpretation or narration given by the candidate to the pictures etc.

4. Attitude Test:

This test measures candidate's tendencies towards the people, situation, action and related things.

2. Explain the important methods of interview.



i) Preliminary interview:

This interview is conducted to know the general suitability of the candidate to have applied for the job.

ii) Structure/Guide/Planned 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.

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:

This interview is conducted to test the level of knowledge of the interviewee in a particular field intensively and extensively.

v) 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.

vi) Group Interview:

- ◆ A group interview is a screening process where multiple candidates are interviewed at the same time.
- ◆ Sometime particular topic is given to the group, and there is asked to discuss it.

3. Explain the principles of placement.**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.

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 realize his/her responsibilities better towards the job and the organization.

12 EMPLOYEE TRAINING METHOD

II. Very Short Answer Questions:**1. What is meant by training?**

Training is the organized procedure by which people learn knowledge and skill for a definite purpose.

2. What is Mentoring training method?

- ❖ Mentoring is the process of sharing knowledge and experience of an employee.
- ❖ The mentor is responsible for providing necessary support to trainees, and feedback on the performance of the trainee.

3. What is Role play?

- Under this method the trainees are explained the situation and assigned roles.
- The members have to assume role and play the role without any preparation.

4. State e-learning method?

- ▲ E-Learning is also often referred to use online learning or web based training.
- ▲ It helps in giving training anywhere and any time through internet.

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

- ❖ It is a 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.

- ❖ It helps in avoiding the disturbance of normal workflow in the actual workplace. Ex: Drivers, Pilots, Space Scientists etc.

2. What do you mean by on the job Training?

- ★ On – the – job training is a form of training provided at the workplace.
- ★ During the training the employees are familiarized with the working environment.
- ★ Employees get a hands-on experience using machinery, equipment, tools, materials etc. Ex: Coaching, job rotation, mentoring, job instruction,

3. Write down various steps in a training programme.

- ▲ Whom to train?
- ▲ Who is the trainee?
- ▲ Who are trainers?
- ▲ What method will be used for training?
- ▲ What should be the level of training?
- ▲ Where to conduct the training programme?

4. Write short note on trainer and trainee.

Trainer:

- ❖ Trainer is the person who teaches skills to employee and prepare them for the job activity.
- ❖ Trainers may be supervisor, coworkers, HR staffs,

Trainee:

- ✖ A person who is learning and practicing the skills of particular job is called as trainee.
- ✖ Trainees should be selected on the basis of self interest and recommendation by the supervisor or by the human resource department itself.

IV. Long Answer Questions:

1. Define training. Discuss various types of training.

I) On the Job Training:

i) Coaching Method

In the coaching method of training, the superior teaches or guides the new employee about the knowledge and skills relevant to a given job.

ii) 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.

iii) Apprenticeship Training Method:

The apprentice or trainee learns the job knowledge and skills from the trainer or superior or senior worker.

II) Off the Job Training:

i) Lecture Method:

Under this method trainees are educated about concepts, theories, principles and application of knowledge in any particular area.

ii) Group Discussion Method

This method participants are divided into various groups. They were provided a particular issue for deliberation. Each groups has to prepare solution after deep discussion with their group members.

iii) 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.

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

S. No	Basis of Comparison	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, projectors
3.	Location	At the work place	Away from the work place
4.	Suitable for	Generally imparted in case of Manufacturing for production related jobs	Mostly imparted for managerial and non production related jobs
5.	Approach	Practical approach	Theoretical approach
6.	Principle	Learning by performing	Learning by acquiring knowledge

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 minimizes the time for supervision. It reduces the frequency of accidents at workplace.
- ❖ 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.
- ★ Employees get higher earnings through incentives and rewards.
- ★ It builds up the confidence of employee by changing his attitude positively towards to work

(iii) Benefits of Customer

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

UNIT-5 ELEMENTS OF MARKETING

13. CONCEPT OF MARKET AND MARKETER

II. Very Short Answer Questions:

1. What is market?

- ✧ The meeting place of buyers and sellers in an area is called market.
- ✧ It is a medium or place to interact and exchange goods and services.

2. Define marketer.

According to Business Dictionary a marketer is defined as “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”

3. What is mean by Regulated Market?

The markets which are organized, controlled and regulated by statutory measures. *Eg. Stock Exchanges of Mumbai, Chennai, Kolkata etc.*

4. Mention any four differences between wholesale Market and Retail Market?

S. No	Basis difference	Whole sale market	Retail Market
1.	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, this type of business is termed as retail
3.	Capital requirement	Huge	Little

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:

- Produce Exchange Market
- Manufactured goods market
- Bullion Market

III. Short Answer Questions:**1. What can be marketed in the market?****(i) Goods:**

Manufactured goods are the main constituent of marketing endeavor in all the countries across the world.

(ii) Services:

Not only physical goods can be marketed. Even the services of many organizations can be marketed to the consumers namely banking, insurance, finance, hospitality, tourism etc.,

(iii) Experiences:

The unique and varied experiences pertaining to a place or a park or an event can be marketed under this concept. Eg. Amusement park, Theme Park, Mountaineering etc.,

2. Mention any three Role of Marketer?**i. Instigator:**

The 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 or functionalities to the existing product.

iii. Integrator

- ▲ Marketer plays a role of integrator.
- ▲ He collects feedback or vital inputs from channel members and consumers.

3. Marketer is an innovator? Do you agree?

- ★ Yes. I agree with the above said statement.
- ★ Marketer seeks to distinguish his products/ services by adding additional features or functionalities to the existing product.
- ★ He also does modifying the pricing, structure, introducing new delivery pattern, creating new business models.

4. Why customer support is needed to 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.
- ❖ To develop product by enhancing market segment.

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., are called as very short period market.

(ii) Short period market:

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

(iii) Long period market:

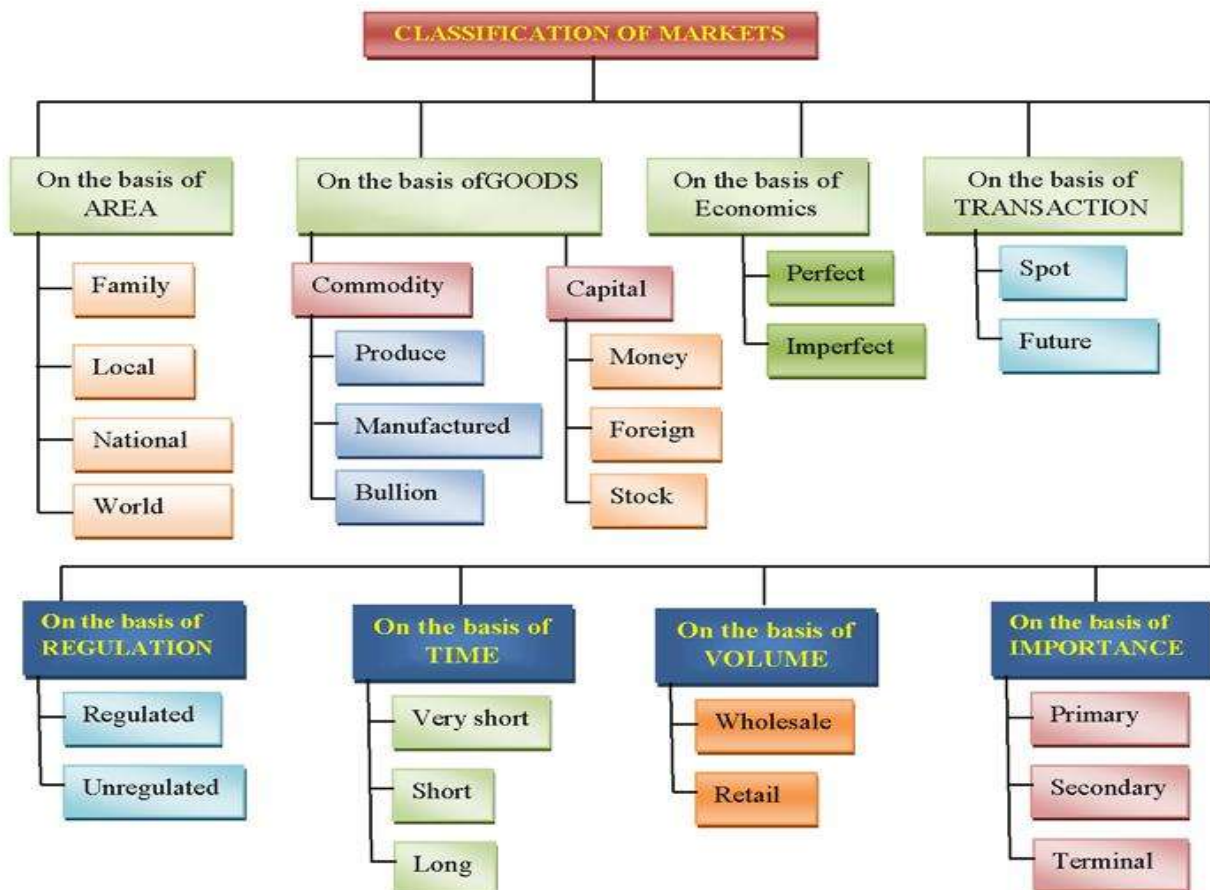
This type of market deals in durable goods, where the goods and services are dealt for longer period usages.

6. List down the functions of Marketer?

- ▲ Gathering and Analysing market information
- ▲ Market planning
- ▲ Product Designing and development
- ▲ Standardization and Grading
- ▲ Packaging and Labelling
- ▲ Branding
- ▲ Pricing of products
- ▲ Promotion and selling
- ▲ Transportation
- ▲ Storage and ware housing.

IV. Long Answer Questions:

1. How the market can be classified?



2. How the market can be classified on the basis of Economics?

The following are the classification of the market on the basis of economics.

a. Perfect market: A market is said to be a perfect market, if it satisfies the following conditions:

- ✧ Large number of buyers and sellers are there.
- ✧ Prices should be uniform throughout the market.
- ✧ Buyers and sellers have a perfect knowledge of market.
- ✧ Goods can be moved from one place to another without restrictions.
- ✧ The goods are identical of homogenous.
- ✧ It should be remembered that such types of markets are rarely found.

b. Imperfect market: A market is said to be imperfect when

- ▲ Products are similar but not identical
- ▲ Prices are not uniform.
- ▲ There is lack of communication.
- ▲ There are restrictions on the movement of goods.

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

The following are the ways to promote the market in the modern society:

- ★ One of most important point to consider is the passing of information's to the customers and educating the customers.
- ★ Managing customer expectations from consumer advocacy groups to learn about the various brand loyalty.
- ★ It is high time the clarification of the customers and the clearance of the customer's doubts should be carry forward.

14. MARKETING AND MARKETING MIX

II. 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”.

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

1. Marketing Objectives
2. Marketing Mix Strategy

3. Define Product.

According to Philip Kotler, “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”.

III. Short Answer Questions:

1. What are the Objectives of marketing?

Objectives of marketing:

- ★ Intelligent and capable application of modern marketing policies.
- ★ 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.

2. What is need for market and explain the concept of marketing?

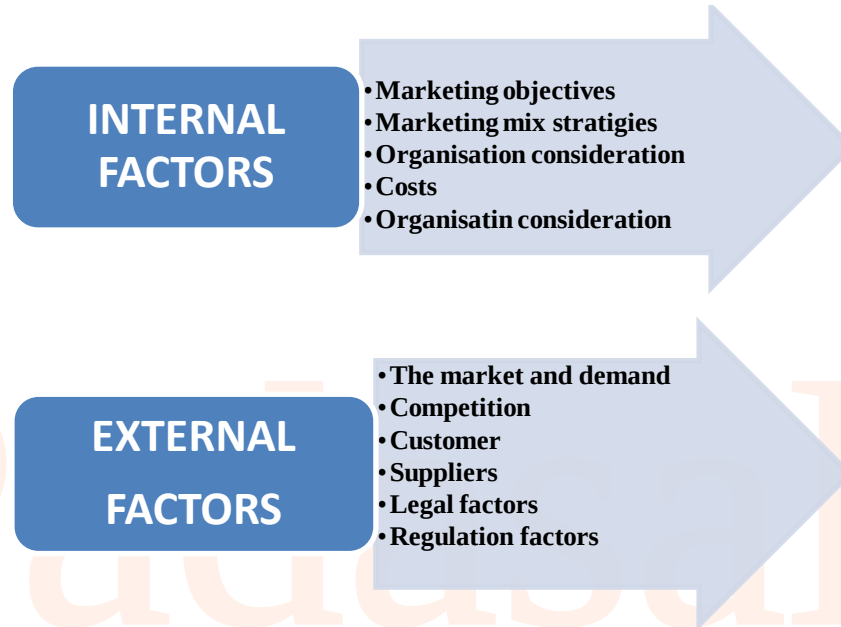
Need for market:

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

The following are the points involved in the concept of marketing:

- ▲ What I can sell?
- ▲ Shall I first create products?
- ▲ Who is supreme in markets?
- ▲ Who will shape my decisions?

3. What are the factors affecting price of product?



4. What do you mean by marketing mix?

Marketing mix refers to two things:

- ◆ A list of important elements or ingredients that make up the marketing programme and
- ◆ The list of forces having bearing on marketing operations.

Elements of marketing of mix:

i. Product:

- ✧ Product is the main element of marketing.
- ✧ Without a product, there can be no marketing.

ii. Price:

- ▲ Price is the value of a product expressed in monetary terms. It is the amount charged for the product.

IV. 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 change 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 realized but only as a means of disposing of goods produced. Competition become more stiff. Aggressive advertising, personal selling, large scale promotion etc.

v. Consumer orientation: Under this stage only such product are brought forward to the markets which are capable of satisfying the tastes, preferences and expectations of the consumers- consumer satisfaction.

2. Why the marketing is important to the society and individual firm Explain.

Marketing is important to the society and individual firm because of the following reasons:

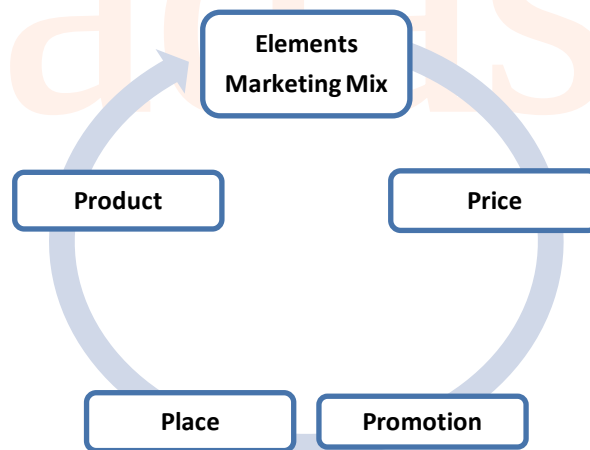
a. To the society:

- ❖ Marketing is a connecting link between the consumer and the producer.
- ❖ Marketing helps in increasing in increasing the living standard of people.
- ❖ Marketing removes the imbalances of supply by transferring the surplus to deficit areas, through better transport facilities.
- ❖ Marketing helps to maintain economic stability and rapid development in underdeveloped or developing countries.

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 of business and creates employment opportunities for people.

3. Narrate the elements of marketing mix.



Elements of marketing of mix:

i) Product:

- ✂ Product is the main element of marketing.
- ✂ Without a product, there can be no marketing.

ii) Price:

Price is the value of a product expressed in monetary terms. It is the amount charged for the product.

iii. Place (Physical Distribution)

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

- ◆ The special features and benefits should be conveyed to the potential consumers.
- ◆ Most of the consumers become customers on the basis of the special features of the products.

4. What is marketing?

- ❖ Marketing is one of the business functions that all activities that take place in relation to markets for actualize potential exchanges for the purpose of satisfying human needs and wants.
- ❖ Marketing is the performance of buying activities that facilitate to ore 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 one of the oldest professions in the world.
- ❖ The traditional idea of marketing was later on changed by shifting the emphasis from “exchange” to “satisfaction of human wants”.
- ❖ Different authors tried to give suitable definition from their viewpoint.

5. State to advantage of warehousing.

Warehousing

Warehouses create time utility by storing the goods throughout the ea and releasing them as and when they are needed.

Advantages of Warehousing:

- It helps in protection and preservation of goods
- It facilitate the regular flow of goods.
- Warehouses enables the continuity in production.
- The convenient location of warehouses helps in reducing the cost.
- It is useful for small businessmen.
- It creates employment.
- Warehouses facilitates the sale of goods
- Warehouses reduces the risk of loss.

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

- ☞ By knowing the market information the producer can know well about the attitude of the customers.
- ☞ With the knowledge of the taste and preferences of the consumer the product may be designed as per the wish of the consumers.
- ☞ By knowing the sufficient information the cost of a product will be decided.

15. RECENT TRENDS IN MARKETING

II. Very Short Answer Questions:

1. What is 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 implies marketing environmentally friendly products.
- It refers to holistic marketing concept with growing awareness about the implications of global warming, non-biodegradable solid waste, harmful impact of pollutants etc.

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.

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.

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.

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 behavioral goals which ensure social good.

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

S .No	B2B (Business To Business)	B2C(Business To Consumer)
1.	The selling of goods and services between two business entities is known as business to business	The transaction in which business sells the goods and services to the consumers is called business to consumer
2.	B2B starts when the raw material is purchased and ends till it is distributed to the showroom	When the product is purchased or the service is obtained it comes to an end
3.	Volume of merchandise sold is large	Volume of merchandise sold is small

2. Explain the importance of 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.

3. Discuss the objectives E-marketing.

- ✕ Expansion of market share
- ✕ Reduction of distribution and promotional expenses.
- ✕ Achieving higher brand awareness.
- ✕ Strengthening database.

4. Elucidate how E-Commerce differs from E-Business.

S. No	E-Commerce	E-Business
1.	Trading or merchandise over the internet is known as E-Commerce	Running business using the internet is known as E-business
2.	It includes transactions related to money.	It includes monetary as well as allied transactions
3.	It requires a website that can represent the business	It requires a website, CRM and ERP for Running the business over the internet.

5. Explain in detail about Niche marketing**Niche marketing:**

- ★ Niche marketing denotes a strategy of directing all marketing efforts towards one well defined segment of the population.

- ★ It is found by company, by identifying the need of customers which are not served or under served by the competitors.
- ★ A niche market does not mean a small market, but it involves specific target audience with a specialized offering.

IV. Long Answer Questions:

1. Explain in detail how traditional marketing differ from e-marketing.

S. No	E-marketing	Traditional marketing
1.	It is very economical and faster way to promote the products.	It is very expensive and takes more time to promote product.
2.	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.
3.	E-business enterprises can expand their Operation with minimum manpower.	It needs more man power.
4.	In this marketing product can be sold or bought 24*7,round the year with minimum manpower	That is not possible in traditional marketing.

2. Explain advantages and disadvantages of e-tailing.

Advantages:

- E-tailers are convenient whereby consumers can shop from the comfort of their homes at any time of the day.
- Buy online and pick up in the store allows consumers to have the best of both worlds.
- Infrastructure costs are lower for companies that operate electronic retailing versus physical locations.
- Companies can move products faster and reach more customers online compared to physical locations.

Disadvantages:

- ✧ Creating and maintaining an e-tailing website can be expensive
- ✧ Infrastructure costs can be substantial if warehouses and distribution centers need to be built to store and ship the products.
- ✧ Consumers may have a lack of trust with shopping on an e-tailer's website
- ✧ E-tailing doesn't provide consumers with the experience shopping that brick-and-mortar stores offer

4. Compare the concept of social marketing with service marketing.

S. No	Social Marketing	Service Marketing
1.	Social marketing is a new marketing tool.	Service marketing is a specialized branch of marketing.
2.	It places emphasis on the long term well being of society as a whole	It is the action of doing something for someone or something
3.	The focal point is society	The focal point is those who are all in need of service
4.	It is a combination of consumer wants or needs, company requirements and the long term good of society.	It is intangible in nature. It is a combination of consumer wants.

5. Discuss any two new methods of marketing with it's advantages.

1. Viral Marketing:

- ❖ Viral marketing is marketing technique that impels the users to pass on a marketing message to other users, creating a potentially exponential growth in the message's visibility and effect.
- ❖ Viral marketing is able to generate interest and the potential sale of a brand or product through messages that spread quickly like a virus from person to person.
- ❖ The most widespread example in recent times is the creation of moving, surprising or spectacular videos on YouTube, which are then shared on Facebook, Twitter and other channels.

2. Ambush Marketing

- ✘ Ambush marketing technique is a new technique whereby a particular advertiser seeks to connect his product to the event in the mind of potential customer without paying sponsoring expenses to the event.
- ✘ In other words it is a method of building brands in covert ways.
- ✘ Bigger companies engage in ambush marketing tactics to undermine official event sponsors.

UNIT-6 CONSUMER PROTECTION

16. CONSUMERISM

II. Very Short Answer Questions:

1. Who is a consumer?

A consumer is one who consumes goods manufactured and sold by others or created by nature and sold by others.

2. Define Consumerism.

According to L.Massie, "Consumerism is an attempt to enhance the rights and powers by buyers in relation to sellers".

3. Give two examples of adulteration.

- ⬆ Chemicals, detergent chalk, urea caustic soda etc are added to make the milk dense and white.
- ⬆ Coffee powder is adulterated with tamarind seed.

4. What is Caveat Emptor?

- Caveat emptor' is a Latin term that means "let the buyer beware."
- It means that 'let a purchaser beware', for he ought not to be ignorant of the nature of the property which he is buying from another party.

5. What is Caveat Vendor?

The principle of caveat vendor, means "let the seller beware," by which goods are covered by an implied warranty of merchantability.

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

- ★ The Consumer Protection Act 1986 seeks to protect and promote the interests of consumers.
- ★ The act provides safeguards to consumers against defective goods, unfair trade practices, and other forms of their exploitation.

III. Short Answer Questions:

1. Which are the three constituent elements of business?

- ➔ Role of Business
- ➔ Role of Government
- ➔ Role of Consumer

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

- ✘ The Sale of Goods Act, 1930: This Act protects consumers against sellers not complying with expressed and implied warranties in the sale contract.
- ✘ The Essential Commodities Act, 1955 protects the consumers against artificial shortages created by the sellers by hoarding the goods and thus selling the goods at high prices in black market.
- ✘ The Agricultural Products Grading and Marketing Act, 1937 ensures the supply of agricultural commodities at high quality.

3. What is meant by artificial scarcity?

- ✧ Artificial scarcity is the scarcity of items that exists even though when there is sufficient stock.
- ✧ In some situations 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 these situations consumers have to pay hefty price to buy the goods.

4. Write the importance of consumerism.

- ▲ Awakening and uniting consumers.
- ▲ Discouraging unfair trade practices.
- ▲ Protecting against exploitation.
- ▲ Effective implementation of consumer Protection laws.

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

- ❖ 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.
- ❖ Despite the existence of legal system to protect the consumers, consumers in India are still illiterate and passive.

IV. 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 commensurate 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.

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, watches, medicines, clothes.

4. Artificial Scarcity

- ✧ Artificial scarcity is the scarcity of items that exists even though when there is sufficient stock.
- ✧ In some situations the shop keepers put up the board “No Stock” in front of their shops, even though there is plenty of stock in the store.

5. Sub-standard

- ✘ On opening a packet or sealed container one may find the content to be of poor quality.
- ✘ If defective or damaged items are found in a pack, a consumer finds it difficult to exchange the defective one for good one.

6. Product Risk

Whenever the usage of goods is likely to cause danger or hurts to customers, manufacturers have to forewarn the consumers of various sources of dangers.

2. Explain the role of business in consumer protection.

1. Avoidance of Price Hike

Business enterprises should desist from hiking the price in the context of acute shortage of goods/articles.

2. Avoidance of Hoarding

Business enterprises should allow the business to flow normally. It should not indulge in hoarding and black Marketing to earn maximum possible profit in the short term at the cost of consumers.

3. Guarantees for Good Quality

Business enterprises should not give false warranty for the products. It should ensure supply of good quality.

4. Product Information

Business enterprises should disclose correct, complete and accurate information about the product viz. size, quality, quantity, substances, use, side effects, precautions, weight, exchange, mode of application etc.

5. Truth in advertising

Business enterprises should not convey false, untrue, bogus information relating to the product through the advertisements in media and thus mislead the consumers.

6. Protection from the Hazard

Business enterprises should not market the product which is potentially hazardous and harmful. It should test the safety of the product before they are marketed.

3. What are the needs for consumer protection?

- ▲ 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 maximization turns out to be sole consideration of business enterprises.
- ▲ In such a context, consumer protection remains a vital importance.

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 organize themselves into a movement for concerted action.

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
- ◆ 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.

- ★ The Indian Contract Act, 1982 was passed to bind the people on the promise made in the contract.
- ★ The Sale of Goods Act, 1982: This Act protects consumers against sellers not complying with expressed and implied warranties in the sale contract.
- ★ The Agricultural Products Grading and Marketing Act, 1937 ensures the supply of agricultural commodities at high quality.
- ★ 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.
- ★ 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.

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

- ✧ 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.

17. CONSUMER PROTECTION

II. 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. Ex: name of the product, date of expiry, batch number, etc.

2. What do you understand about “Right to Safety”?

- There may be few products which cause physical danger to consumers’ health, lives and property.
- They may contain potentially harmful substances which are dangerous.

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

- ▲ Right to protection of health and Right of Safety
- ▲ Right to be informed
- ▲ Right to choose
- ▲ Right to be Heard

4. Which is the supreme objective of business?

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?

- ♦ The Right to Safety
- ♦ The Right to be informed
- ♦ The Right to Choose
- ♦ The Right to be heard

III. 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.
- ✧ There should be fair and just settlement of deserving claims in a definite timeframe.

2. Define “Consumer Rights”.

Consumer Right is interpreted as “the right to have information about the quality, potency, quantity, purity, price and standard of goods and services.”

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.
- ★ The health hazards which are likely to arise have to be eradicated or reduced altogether.
- ★ In case of food items and drugs both lifesaving and life sustaining safety is to be guaranteed.

IV. Long Answer Questions:

1. What are the rights of consumers?

i) Right to Protection of Health and Right of 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.

ii) Right to be Informed:

Consumers should be given all relevant facts about the product so that they can take intelligent decisions on purchasing the product. Ex: name of the product, date of expiry, batch number, etc.

iii) Right to choose:

Consumer satisfaction is the ultimate aim of modern marketing and is the philosophy of marketing concept.

iv) Right to be Heard:

Consumers have every right to ventilate and register his/her dissatisfaction, disagreements and get the complaint heard and aired.

v) Right to Seek Redressal:

- ♦ This step is one step ahead of the previous right.
- ♦ The complaints and protests are not just to be heard: but the aggrieved party is to be granted compensation within a reasonable time period.

vi) 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.

2. Explain the duties of consumers.

i) Buying Quality Products at Reasonable Price

It is the responsibility of a consumer to purchase a product after gaining a thorough knowledge of its price, quality and other terms and conditions.

ii) Ensure the Weights and Measurement before Making Purchases

- ❖ The sellers often cheat consumer by using unfair weights and measures.
- ❖ The consumer should ensure that he/she is getting the product of exact weight and measure.

iii) Reading the Label Carefully:

- ❖ It is the duty of the consumer to thoroughly read the label of the product.
- ❖ It should have correct, complete and true information about the product.

iv) Beware of False and Attractive Advertisements:

- ❖ Often the products are not as attractive as shown in the advertisement by the sellers.
- ❖ Hence, it is the prime duty of consumer not to get misled by such fraudulent advertisements.

v) Misleading Schemes:

- ⬆ The advertisements are used to be very attractive and appealing to the senses.
- ⬆ They may be occasionally false and misleading.

vi) Ensuring the Receipt of Cash Bill:

- ♦ It is a legitimate duty of consumers to collect cash receipt and warranty card supplied along with bills.
- ♦ This will help them in seeking redressal for their grievances.

3. What are the responsibilities of consumers?

The responsibilities of consumer are listed below;

- ❖ The consumer must pay the price of the goods according to the terms and conditions of the sales contract.
- ❖ 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.
- ❖ 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.
- ❖ The consumer must seek to collect complete information about the quality, quantity, price etc of the product before purchasing it.
- ❖ The consumer must get cash receipt as a proof of goods purchased from the seller. If it carries any warranty, the buyer must obtain the warranty card mentioning the date of purchase and period .
- ❖ The consumer has every right to safety, right to be informed, right to choose, right to represent, and right to seek redressal and right to seek information.

18. GRIEVANCE REDRESSAL MECHANISM

II. Very Short Answer Questions:

1. What do you meant by Redressal Mechanism?

- ⬆ Redressal mechanism is a management and governance related process used commonly in India.
- ⬆ It covers the receipt and processing of complaints from citizens and consumers.

2. What do you know about National Commission?

- ❖ The National Consumer Disputes Redressal Commission (NCDRC), India is a quasi-judicial commission in India. Its head office is in New Delhi.
- ❖ It was set up in 1988 under the Consumer Protection Act of 1986.

3. State the meaning of the term State Commission?

- ★ The State Consumer Protection Council is also called State Commission.
- ★ It has the same function as state level.

4. What is a term District Forum?

- ✧ It was established as per the Consumer Protection Act of 1986 and Section 9.
- ✧ The State Government in each district established a District Forum to protect the interest of aggrieved consumers in that district.

5. How to register the complaints?

- ◆ Complaint can be registered within 2 years from the date on which the cause of action has arisen, to the date on which the completion from the deficiency in service.
- ◆ Complaint can be registered, in person, by the complainant or through his authorised agent.

III. Short Answer Questions:**1. Is Consumer Protection necessary?**

- ❖ Yes. Protection of Consumer is a necessary event.
- ❖ A few firms enjoy monopoly power in the market place.
- ❖ They are often exploited through misleading advertisements, poor quality goods, fractional weights and measures, overcharging, etc.

2. Who are the members of the National Commission?

- The National Commission should have five members.
- One should be from judiciary.
- Four other members of ability, knowledge and experience from any other fields.
- It should include a woman.

3. What is the Pecuniary Jurisdiction of the State Commission?

- The State Commission can entertain complaints within the territory of entire state and where the value of the goods or services and the compensation, if any claimed exceed Rs. 20 lakhs and below Rupees One Crore.
- The State Commission also has the jurisdiction to entertain appeals against the orders of any District Forum within the State.

4. Does District Forum exceed the claim limit of Rs. 20 lakhs? Explain the condition.

- ☞ No the District Forum cannot exceed the claim limit of Rs.20 lakhs.
- ☞ If the value of the complain exceeds the limit of Rs.20 lakhs the complaint should be made direct to the State commission.

5. Write a note on the Voluntary Consumer Organization.

Voluntary consumer organisations refer to the organisation formed voluntarily by the consumers to protect their rights and interests.

- The Department of Consumer Affairs(DCA)
- The Consumer Welfare Fund(CWF)

IV. Long Answer Questions:**1. Write the functions of the National Commission?**

- ▲ The National Consumer Disputes Redressal Commission (NCDRC), India is a quasi-judicial commission in India.
- ▲ It was set up in 1988 under the Consumer Protection Act of 1986.
- ▲ The Commission is headed by a serving or retired judge of the Supreme Court of India.

Members

The National Consumer Disputes Redressal Commission has been constituted by Notification.

- The National Commission should have five members.
- One should be from judiciary.
- Four other members of ability, knowledge and experience from any other fields.
- It should include a woman.

Jurisdiction

Section 21 of The Consumer Protection Act, 1986 describes, the National Commission shall have jurisdiction

- ♦ To entertain a complaint valued more than 1 Crore.
- ♦ Revised the orders of State Commissions.
- ♦ To call for the records and pass appropriate orders from the State Commission and District Forum.

2. Explain the overall performance of State Commission.

- ❖ The State Commission is to be appointed by the State Government in consultation with the Centre.
- ❖ It has the same function as state level.
- ❖ The state consumer protection council is also known as “Consumer Disputes Redressal Commission”.
- ❖ A consumer has to be protected against defects, deficiencies, unfair and restrictive trade practices.

Members

- ▲ A person who is or has been a Judge of a High Court appointed by the State Government as its President.
- ▲ Two other members who shall be persons of ability, integrity and standing and have adequate knowledge or experience of or have shown capacity in dealing with problems relating to economics, law, commerce, industry, public affairs or administration of them, one shall be a woman.

Jurisdiction

- ♦ The State Commission can entertain complaints within the territory of entire state and where the value of the goods or services and the compensation, if any claimed exceed Rs. 20 lakhs and below Rupees One Crore.
- ♦ The State Commission also has the jurisdiction to entertain appeals against the orders of any District Forum within the State.

3. Explain the term District Forum and explain the functions of District Forum.

- As per the Consumer Protection Act of 1986 and Section 9 thereof the establishment of a District Forum
- Complaints can be filed with the forum by a consumer.
- Complaints can also be filed by the Central or State Government or by a group of consumers.
- It is not necessary that complaint should be filed only by the affected person.

Members

- ✕ A person who is or who has been or is qualified to be, a District Judge as its President.
- ✕ Two other members who shall be persons of ability, integrity and standing and have adequate knowledge or experience of or who have shown their capacity in dealing with problems relating to economics, law, commerce, accountancy, industry, public affairs or administration.

Jurisdiction

The District Forum can entertain complaints within the territory of genuine district and where the value of goods or services and the compensation if any claimed is less than Rs 20 Lakhs.

4. What is the Voluntary Consumer Organizations? Explain its functions.

- Consumer is a broad label for any individuals or households that use goods and services produced within the economy.
- Voluntary consumer organisations refer to the organisation formed voluntarily by the consumers to protect their rights and interests.

Objectives

- ▲ A wide network of Voluntary Consumer Organization (VCO) is doing commendable work to raise awareness amongst consumers.
- ▲ To strengthen consumer protection and welfare and to provide counselling, guidance and mediation services.
- ▲ VCO's supported through CWF provides grants for diverse projects including comparative testing of products and services and dissemination of the findings.

Accelerating Consumer Awareness/Educating Consumers

- ◆ To publish brochures journals and monographs.
- ◆ To arrange conferences, seminars and workshops.
- ◆ To educate consumers to help themselves.

UNIT-7 BUSINESS ENVIRONMENT

19. ENVIRONMENTAL FACTORS

II. Very Short Answer Questions:

1. Define Business environment

According to Bayard O 'Wheeler Business environment is "the total of all things external to firms and industries which affect their organization and operations".

2. What is internal environment?

- ★ Internal environment refers to those factors within an organisation.
- ★ E.g Policies and programmes, organizational structure, employees, financial and physical resources.

3. Give the meaning of corporate governance.

- ✧ Corporate governance is a set of rules and policies which governs a company.
- ✧ It provides a frame work for managing a company and achieving its objectives.

4. What is GST?

- ◆ GST is the indirect tax levied on goods and services across the country.
- ◆ It is a comprehensive, multi-stage, destination- based tax that is levied on every value addition.

5. Expand VUCA.

- ❖ Volatility
- ❖ Uncertainty
- ❖ Complexity
- ❖ Ambiguity

6. What is mixed economy?

- ▲ An economic system in which both the private enterprise and a degree of state monopoly coexist.
- ▲ All modern economies are mixed where the means of production are shared between the private and public sectors.

III. Short Answer Questions:

1. Explain the natural environment of business.

- The nature of economy based on the stage of development.
- The countries across the globe can be categorized on the basis of growth and per capita income as developed nations, developing nations and underdeveloped nations.
- The economic systems can be classified as Capitalistic, Socialistic and Mixed economy.

2. What are the political environment factor?

- ✖ Political stability is reflected by the following parameters like the election system, the law and order situation, the role and structure of Military and Police force, the declaration of President's rule, civil war etc.
- ✖ Political organisation refers to the ideology and philosophy of the political parties, the government, the role and degree of authority of bureaucracy, the level of political consciousness among citizens and the funding of political parties by business houses and the clout wielded by them.

3. Write about any three internal environmental factors of business.

i. Values system:

- ◆ The values of the founder/owner of the business, percolates down to the entire organization and has a profound effect on the organisation.

ii. Vision and objectives:

- ★ The vision and objectives of a business guides its operations and strategic decisions.
- ★ Example 'Amul the taste of India' Gujarat Co-operative Milk Marketing Federation GCMMF

iii. Company image:

The image of an organisation plays an important role in introducing new products, selecting agents and dealers for distribution, forging alliances with suppliers, expanding and entering new markets.

4. State the framework of Corporate Governance in India

The Indian Corporate Governance framework requires listed companies

- ❖ To have independent directors on the board;
- ❖ At least one third of the directors have to be independent directors.
- ❖ To have at least one independent woman director

5. What are the functions of the GST council?

- ✧ the taxes, cesses and surcharges levied by the Union, the States and the local bodies which may be subsumed in the goods and services tax.
- ✧ the goods and services that may be subjected to, or exempted from the goods and services tax.
- ✧ Model Goods and Services Tax Laws, principles of levy, apportionment of Goods and Services.

6. Write a note on future environment of business.

- ▲ The future environment of business has been captured aptly in the acronym VUCA – volatility, uncertainty, complexity and ambiguity, developed in the late 80's by the U.S military.
- ▲ Every business has to take strategic decisions.
- ▲ The dynamic ever changing environment, the unpredictability of various factors, the multiplicity of forces affecting business and the lack of clarity are the variables which affects business.

7. What do you know about Technological environment?

- ☞ The development in the IT and telecommunications has created a global market.
- ☞ Technology is widely used in conducting market research for understanding the special needs of the customer.
- ☞ Digital and social media are used as a platform for advertising and promoting the products/ service

IV. Long Answer Questions:**1. Discuss the role of macro environment of business.****i) Economic Environment:**

The economic policies of a nation Monetary policy, fiscal policy, Export-import policy, Industrial policy Trade policy, Foreign exchange policy etc are part of the economic environment.

ii) Socio-Cultural environment:

- ✖ Social environment refers to the sum total of factors of the society in which the business is located.
- ✖ It is dynamic and includes the behaviour of individuals, the role and importance of family, customs, traditions, beliefs and values.

iii) Political and Legal Environment:

- ★ The success of a business lies in its ability to adapt and sustain to political and legal changes.
- ★ The legislative, executive and judiciary are the three political institutions which directs and influences a business.

iv) Geo-Physical Environment:

- ❖ The natural, geographical and ecological factors have a bearing on the business.
- ❖ the weather and climatic conditions and availability of water and other natural resources is essential for the agricultural sector.

v) Technological Environment:

Digital and social media are used as a platform for advertising and promoting the products/services.

vi) Global Environment:

With the rapid growth of technology the physical boundaries are fast disappearing and the new global marketing is emerging.

2. Describe the economic and socio cultural environment of business.**i) Economic environment:**

- Many of the developed nations have successfully integrated the computer based technologies with their existing business.
- Developing nations like India, China, Brazil Mexico are middle income economies are characterised
- by low to moderate industrial growth, the inequality in the distribution of income, high population, a low standard of living and slow absorption of technology.
- The economic systems can be classified as Capitalistic, Socialistic and Mixed economy. Capitalistic economy is a free enterprise market where individual ownership of wealth is predominant.
- The Economic indices like GDP, GNP national income, per-capita income, balance of payments, rate of savings and investments etc. form an important part of economic environment.

ii) Socio-Cultural environment

- ✖ Business is a part of the society.
- ✖ Social environment refers to the sum total of factors of the society in which the business is located.
- ✖ Social and cultural environment of society affects the business.
- ✖ The literacy level, and the social attitudes of the people of the society. The socio-cultural environment also includes the following;
 - The social institutions and groups
 - Family structure prevalent in the society
 - Caste system in the society
 - Customs, beliefs and values

3. Explain the micro environmental factors of business.

i) Suppliers:

- ❖ Organisations generally obtain supplies from a panel of suppliers instead of relying on a single source.
- ❖ Organisations have realised the importance of nurturing and maintaining good relationship with the suppliers.

ii) Customers:

- ❖ The aim of any business is to satisfy the needs of its customers.
- ❖ The customer is the king and the fulcrum around which the business revolves.

iii) Competitors:

- ★ All organisations face competition at all levels local, national and global.
- ★ It is important for a business to understand its competitors and modify their business strategies in the face of competition.

iv) Financiers:

The financiers of a business which includes the debenture holders and financial institutions play a significant part in the running of a business.

v) Marketing Channel members:

- ☞ The marketing inter-mediaries serve as a connecting link between the business and its customers
- ☞ The middlemen like dealers, wholesalers and retailers ensure transfer of product to customers.

vi) Public

This refers to any group like media group, citizen action group and local public which has an impact on the business.

4. Discuss the significance of understanding Business environment and the internal factors affecting business.

The significance:

- ◆ Helps in formulating Strategy and future Planning
- ◆ Enables to identify the opportunities available
- ◆ It helps the firms to identify threats which may affect the business.
- ◆ It stimulates systematic monitoring of environment which helps business in taking steps to cope with the rapid changes

The major internal factors affecting business :

i) Values system:

The values of the founder/owner of the business, percolates down to the entire organization and has a profound effect on the organisation.

ii) Vision and objectives:

- ❖ The vision and objectives of a business guides its operations and strategic decisions.
- ❖ Example 'Amul the taste of India' Gujarat Co- operative Milk Marketing Federation GCMMF

iii) Management structure and ature:

The structure of management/board and their style of functioning, the level of professionalism of management, the composition of the board are the various factors which affects the decision making.

iv) Internal power relations:

- ❖ The relations among board members, between board members and the CEO and the level of support enjoyed by the board from its' stakeholders namely employees and Shareholders.

v) Human resources :

- ★ The success of an enterprise is solely dependent on its manpower.
- ★ Therefore the quality, skill competency, right attitude and commitment of its human resources.

20. LIBERALIZATION, PRIVATIZATION AND GLOBALIZATION

II. Very Short Answer Questions:

1. State the branches of New Economic Policy.

- ▲ Liberalization
- ▲ Privatization
- ▲ Globalization

2. What is Privatisation?

Privatization is the incidence or process of transferring ownership of a business enterprise, agency or public service from the government to private sector.

3. Mention any three disadvantages of Liberalisation.

- Loss to domestic units
- Increased dependence on foreign nations
- Unbalanced development

4. Name the industries which are reserved for Public sector.

- ✕ Atomic Energy
- ✕ Defence aircraft and warships
- ✕ Railway transport

5. Give any three advantages of Globalisation.

- ❖ Increase in foreign collaboration
- ❖ Expansion of market
- ❖ Technological development

III. Short Answer Questions:

1. What do you mean by liberalisation?

- ✧ Liberalization refers to laws or rules being liberalized, or relaxed, by a government.
- ✧ Liberalization means relaxation of various government restrictions in the areas of social and economic policies.
- ✧ Liberalizing trade policy by the government includes removal of tariff, subsidies and other restrictions on the flow of goods and services between countries.

2. Explain the concept of Privatisation.

- ★ Privatization is the incidence or process of transferring ownership of a business enterprise, agency or public service from the government to the private sector.
- ★ Privatisation means permitting the private sector to set up industries which were previously reserved for the public sector.
- ★ Under this policy many Public Sector Units (PSUs) were sold to private sector.

3. What are advantages of disinvestment?

(a) Increase in efficiency:

- ◆ Privatization is associated with improved efficiency due to to reduce their costs and improve in profits.

(b) Professional management:

- ▲ Government owned enterprises make poor economic management compared to private owned enterprises.

(c) Increase in competition:

- Privatisation of state-owned monopolies occurs alongside deregulation

4. State any three impacts on Globalisation.

- ☞ Corporations got a competitive advantage from lower operating costs, and access to new raw materials and additional markets.
- ☞ Multinational corporations (MNCs) can manufacture, buy and sell goods worldwide.
- ☞ Globalisation has led to a boom in consumer products market.

5. Write a short note on New Economic Policy.

- ❖ The base for New Economic Policy in various countries of the world is Dunkel Draft.
- ❖ It was all about the General Agreements on Trade and Tariff.
- ❖ The new set of economic reforms is commonly known as the LPG or Liberalisation, Privatisation and Globalisation model.

IV. Long Answer Questions:

1. Explain the advantages and disadvantages of liberalisation.

Advantages

a) Increase in foreign investment:

Inward investment leads to capital inflows but also helps the economy through diffusion of more technology, management techniques and knowledge.

b) Increase in consumption:

Liberalization increases the number of goods available for consumption within a country due to increase in production.

c) Control over price:

The removal of tariff barriers can lead to lower prices for consumers. This would be particularly a benefit for countries who are importers.

Disadvantages

a) Increase in unemployment:

Some industries grow, some decline. Therefore, there may often be structural unemployment from certain industries closing.

b) Loss to domestic units:

With fewer entry restrictions, it has been possible for many entrants to make inroads into the country, which poses a threat and competition to the existing domestic units.

c) Unbalanced development:

Trade liberalisation may be damaging for developing economies which cannot compete against free trade.

2. Explain the impact of LPG on Indian Economy.

- ◆ Introduction of new Foreign Trade Agreements
- ◆ Foreign Investment (FDI & FII)
- ◆ MRTP Act, 1969 (Amended)
- ◆ Deregulation
- ◆ Opportunities for overseas trade
- ◆ Steps to regulate inflation
- ◆ Tax reforms
- ◆ Abolition of License
- ◆ Globalization and liberalization both occur as a result of modernization.
- ◆ Globalization is the greater integration among countries and economies for trade, economic, social and political benefits.
- ◆ Liberalization generally refers to removal of government rules and regulations imposed on social, economic, or political matter

UNIT-VIII CHAPTER 21

THE SALE OF GOODS ACT 1930

II. Very Short Answer Questions:

1. What is a contract of sale of goods?

Contract of sale of goods is a contract whereby the seller transfers or agrees to transfer the property (ownership) of the goods to the buyer for a price.

2. List down the essential elements of a contract of sale.

1. Two Parties
2. Transfer of Property
3. Goods
4. Price

3. What is meant by goods?

- ▲ Goods are materials that satisfy human wants and provide utility
- ▲ A good may be a consumable item that is useful to people.

4. What is a Contingent Goods?

- ✧ Contingent goods are the goods, the acquisition of which by the seller depends upon a contingency
- ✧ Contingent goods are a part of future goods.

5. What do you understand by warranty?

Warranty represents a stipulation which is collateral to the main purpose of the contract. It is of secondary importance to the contract.

III. Short Answer Questions:

1. Explain the meaning of Agreement to sell.

- ★ It is a legal document that outlines the terms of a transaction.
- ★ It is an important document in the process of sale and purchase of property.
- ★ This agreement contains the terms and conditions agreed upon between the parties, and bind them.

2. Discuss in detail about existing goods.

- ✖ Existing goods are those owned or possessed by the seller at the time of contract of sale.
- ✖ Goods possessed even refer to sale by agents or by pledgers.
- ✖ Existing goods may be either:
 - *Specific Goods*
 - *Ascertained Goods*
 - *Unascertained or generic goods*

3. Discuss the implied conditions and warranties in sale of goods contract.

Implied conditions

1. Conditions as to title: In the case of sale, seller has a right to sell the goods.

2. Conditions as to Description: In a contract of sale by description, there is an implied condition that goods supplied.

Implied warranties

1) Quiet possession: There is an implied warranty that the buyer shall have and enjoy quiet possession of the goods.

2) Free from any encumbrances: If the buyer's possession is disturbed by reason of the existence of any encumbrance, he is claim damages for breach of warranty.

4. Discuss in detail the rights of an unpaid seller against the buyer personally.

i) Suite for price:

Where the ownership in the goods has passed to the buyer and the buyer refuses to pay for the goods, the seller can file case against the buyer for the price.

ii) Suite for Damage for Non-acceptance:

Where the buyer wrongfully refuses to accept the goods, the seller can sue him for damages for non-acceptance of the goods.

iii) Suite for Cancellation of the Contract before the Due Date:

Where the buyer cancels contract before the date of delivery, the seller may either treat the contract as continuing or wait till the due date or he can file a case against buyer immediately.

IV. Long Answer Questions:

1. Explain in detail the elements of contract of sale.

1. Two Parties:

- A contract of sale involves two parties the seller and the buyer.
- The partners were themselves joint owners of the goods and they could not be both sellers and buyers.

2. Transfer of Property:

- ▲ To constitute sale, the seller must transfer or agree to transfer the ownership in the good to the buyer.
- ▲ A mere transfer of possession does not amount to sale.

3. Goods:

- ◇ The subject matter of contract of sale must of goods.
- ◇ The term 'goods' includes every kind of movable property, stocks and shares, growing crops etc.

4. Price:

- ✖ The monetary consideration for the goods sold is called price.
- ✖ If goods are sold partly for goods and partly for money, the contract is one of sale.

5. Includes both 'Sale' and 'Agreement to Sell':

- ★ The term contract of sale includes both sale and agreement to sell.
- ★ If the property in goods is transferred immediately to the buyer it is called a sale.

2. Distinguish between sale and agreement to sell.

S.No	Particular	Sale	Agreement to sell
1.	Ownership Transference	The property in the goods passes from the seller to the buyer.	The property in the goods has to pass at a future time or the fulfillment conditions.
2.	Risk of Loss	Where the goods sold under the contract of sale are destroyed, the loss falls squarely on the buyer as the ownership.	Where the goods under the contract of sale are destroyed, the loss falls squarely on the seller as the ownership.
3.	Consequences	of violating the contract Where the buyer fails to pay the price, the seller cannot seize the goods.	Where the buyer violates the contract, the seller can repossess the goods from the former.
4.	Nature of contract	It is an executed contract .	It is an executor contract.
5.	Insolvency of the buyer	In a sale, if a buyer becomes insolvent before he pays for the goods even though the goods sold.	If the buyer becomes insolvent before the payment of the price, the seller can retain the goods if they are under his possession .

3. Classify goods under the Sale of Goods Act.



1. Existing Goods:

- ▲ Existing goods are those owned or possessed by the seller at the time of contract of sale.
- ▲ Existing goods may be either

i) Specific Goods:

- ✧ Specific goods denote goods identified and agreed upon at the time of contract of sale.

ii) Ascertained Goods:

- ★ The term 'ascertained goods' is also used as similar in meaning to specific.
- ★ But this term may even refer to goods which become ascertained subsequent to the formation of the contract.

iii) Unascertained or generic goods

- These are goods which are not identified and agreed upon at the time of contract of sale.

2. Future Goods:

- ✧ These are goods which a seller does not possess at the time of contract of sale but which will be manufactured or produced or acquired by him after entering into the contract of sale agreement.

3. Contingent Goods:

- ❖ Contingent goods are the goods, the acquisition of which by the seller depends upon a contingency
- ❖ Contingent goods are a part of future goods.

4. Distinguish between Conditions and Warranty.

S.No	Basic of Difference	Condition	Warranty
1.	Meaning	It is a stipulation which is essential to the main purpose of the contract of sale.	It is a stipulation which is collateral to the main purpose of the contract.
2.	Significance	Condition is so essential to the contract that the breaking of which cancels out the contract.	It is of subsidiary or inferior character. The violation of warranty will not revoke the contract.
3.	Transfer of Ownership	Ownership on goods cannot be transferred without fulfilling the conditions.	Ownership on goods can be transferred on the buyer without fulfilling the warranty.
4.	Remedy	In case of breach of contract, the affected party can cancel the contract and claim damages.	In case of breach of warranty, the affected party cannot cancel the contract but can claim damages only.
5.	Treatment	Breach of condition may be treated as breach of warranty.	Breach of warranty cannot be treated as breach of condition.

5. Discuss in detail the right of an unpaid seller against the goods.

I. Rights of an unpaid seller against the good

a. Rights of lien:

An unpaid seller has a right to retain the goods till he receives the price. But to exercise this lien:

- He must be in possession of goods
- The goods must have been sold without any stipulation as to credit or where goods have been sold on credit, the term of credit must have expired.

b. Right of stoppage in Transit:

Where the seller has delivered the goods to a carrier or other bailee for the purpose of transmission to the buyer, but the buyer has not acquired them, then the seller can stop the goods and regain the possession.

c. Right of Resale:

The unpaid seller can resell the goods

- Where they are of a perishable nature or
- After exercising his right of lien or stoppage in transit, even though he has given intimation to the buyer of his intention to resell, buyer has not tendered the price within a reasonable time.

II. Right of an Unpaid Seller against the Buyer Personally

i) Suite for price:

Where the ownership in the goods has passed to the buyer and the buyer refuses to pay for the goods, the seller can file case against the buyer for the price.

ii) Suite for Damage for Non-acceptance:

Where the buyer wrongfully refuses to accept the goods, the seller can sue him for damages for non-Acceptance of the goods.

iii) Suite for Cancellation of the Contract before the Due Date:

Where the buyer cancels contract before the date of delivery, the seller may either treat the contract as continuing or wait till the due date or he can file a case against buyer immediately.

UNIT-VIII CHAPTER 22 THE NEGOTIABLE INSTRUMENTS ACT 19301

II. Very Short Answer Questions:

1. What is meant by Negotiable Instrument?

- ★ The word 'Negotiable' means transferable from one person to another in return for consideration.
- ★ The word 'Instrument' means a written document by which a right is created in favour of certain person.

2. Define Bill of Exchange

According to section 5 of the Negotiable Instruments Act, "a bill of exchange is an instrument in writing containing an unconditional order, signed by the maker, directing a certain person to pay a certain sum of money only to, or to the order of a certain person or to the bearer of the instrument".

3. List three characteristics of a Promissory Note.

- ✧ A promissory note must be in writing.
- ✧ It must contain a promise or undertaking to pay.
- ✧ The promise to pay must be unconditional.

4. What is meant by a cheque?

A cheque is a bill of exchange drawn on a specified banker and not expressed to be payable otherwise than on demand.

5. Define Endorsement:

“When the maker or holder of a negotiable instrument signs the name, otherwise that as such maker for the purpose of negotiation, on the back or face thereof, or on a slip of paper annexed thereto or so signs for the same purpose a stamped paper intended to be completed as a negotiable instrument, he is said to endorse the same and is called the endorsee”.

III. Short Answer Questions:

1. Explain the nature of a Negotiable Instrument.

1. Transferability:

A negotiable instrument is transferable from one person to another without any formality, such as affixing stamp, registration etc.,

2. Title of the holder free from all defects:

When the instrument is held by holder in due course in the process of negotiation, it is cured of all defects in the instrument with respect to ownership.

3. Right of the transferee to use:

Though a bill, a promissory note or a cheque represents a debt, the transferee is entitled to sue on the instrument in his own name in case of dishonor, without giving notice to the debtor that he has become its holder.

2. Distinguish between Negotiability and Assignability.

S.No	Difference	Negotiability	Assignability
1.	Legal Ownership	It passes to the transferee by endorsement in the case of a bearer instrument.	An assignment can be made by observing certain formalities.
2.	Notice	Notice is not necessary for the holder of negotiable instrument to claim the payment from the debtor.	In case of actionable claim, notice of the assignment by the transferee regarding the transfer of debt to the debtor is necessary.
3.	Nature of title	Holder of negotiable instrument in due course gets a better title than even the transferor.	The transferee's title to the instrument is subject to the defects of the transferor's title.

3. What are the Characteristics of a Bill of Exchange?

- A bill of exchange is a document in writing.
- The document must contain an order to pay.
- The order must be unconditional.
- The instrument must be signed by the person who draws it.

4. Distinguish between Bill of Exchange & Promissory Note.

S.No	Difference	Bill of Exchange	Promissory Note
1.	Nature of Undertaking	A bill of exchange contains an Unconditional order to pay money.	A promissory note contains an Unconditional undertaking to pay money.
2.	No. of parties	There are three parties in bill of Exchange drawer, drawee and payee.	In a promissory note there are only two parties the maker and the payee.
3.	Drawer of the instrument	A creditor draws a bill on a debtor.	A debtor executes a promissory note in favour of a creditor.

5. Discuss the two different types of crossing.

1. General Crossing:

“Where a cheque bears across its face an addition of the words “and company” or any abbreviation thereof, between two parallel transverse lines or of two parallel transverse lines simply, either with or without the words “not negotiable” that addition shall be deemed to be crossed generally”.

2. Special Crossing:

“Where a cheque bears across its face an addition of the name of a banker with or without the words” not negotiable”, that addition shall be deemed a crossing and the cheque shall be deemed to be crossed specially and to be crossed to that banker”.

IV. Long Answer Questions:

1. Mention the presumption of Negotiable Instruments.

Presumption to Negotiable Instrument:

- ❖ Every negotiable instrument is presumed to have been drawn, accepted etc. for consideration.
- ❖ A negotiable is presumed to have been accepted.
- ❖ Every negotiable instrument bearing, a date is presumed to have been made on such a date.
- ❖ It is presumed to have been accepted within a reasonable time after the date and before its maturity.
- ❖ The transfer of a negotiable instrument is presumed to have been made before maturity.
- ❖ The endorsement appearing upon a negotiable instrument is presumed to have been made in the order to which they appear thereon.
- ❖ When a negotiable instrument has been lost, it is presumed to have been duly stamped.

2. Distinguish a cheque and a bill of exchange.

S.No	Basis of Difference	Bill of Exchange	Cheque
1.	Drawn	A bill of exchange can be drawn on any person including a banker	A cheque can be drawn only on a particular banker
2.	Payability	It is payable on demand or on the expiry of a certain period	It is payable on demand only
3.	Validity	A bill made payable to bearer on Demand is void by virtue of section 31 of the RBI act	A cheque does not require any acceptance
4.	Acceptance	In case of time bill, acceptance by the drawee is necessary before he can be made liable on it	A cheque does not require any acceptance
5.	Notice	When a bill is dishonoured, notice of dishonoured is necessary	Notice is not necessary for a cheque

3. Discuss in detail the features of a cheque.

i) Instrument in Writings

- ▲ A cheque or a bill or a promissory note must be an instrument in writing.
- ▲ Though the law does not prohibit a cheque being written in pencil, bankers never accept it because of risks involved.

ii) Unconditional Orders

- ◆ The instrument must contain an order to pay money.
- ◆ It is not necessary that the word ‘order’ or its equivalent must be used to make the document a cheque.

iii) Drawn on a Specified Banker Only

- ✧ The cheque is always drawn on a specified banker.
- ✧ A cheque vitally differs from a bill in this respect as latter can be drawn on any person including a banker.

iv) A Certain Sum of Money Only

- The order must be for payment of only money.
- If the banker is asked to deliver securities, the document cannot be called a cheque.

v) Payee to be Certain

- ★ The cheque must be made payable to a certain person or to the order of a certain person or to the bearer of the instrument.
- ★ The word, person includes bodies corporate, local authorities, associations of an institution etc.,

vi) Signed by the Drawer

- ✧ The cheque is to be signed by the drawer.
- ✧ Further, it should tally with specimen signature furnished to the bank at the time of opening the account.

4. What are the requisites for a valid endorsement?

- ❖ Endorsement is to be made on the face of the instrument or on its back. It is usually made on the back of a negotiable instrument.
- ❖ When there is no space for making further endorsements a piece of paper can be attached to the negotiable instrument for this purpose. This piece of paper is called 'Allonge'.
- ❖ If the endorsee's name is wrongly spelt, the endorsee should sign the same as spelt in the instrument and write the correct spelling within brackets after his endorsement.
- ❖ Endorsement for only a part of the amount of the instrument is invalid. It can be made only for the entire amount.
- ❖ Where, however, the instrument has been partly paid, a note to that effect can be given on the instrument and endorsement made for the balance amount.
- ❖ Endorsement is complete only when delivery of the instrument is made.

5. Explain the different kinds of endorsement.***Different kinds of endorsement:*****1. Endorsement in Blank or General Endorsement:**

When the endorser puts his mere signature on the back of an instrument without mentioning the name of a person to whom the endorsement is made, it is called Blank Endorsement or General Endorsement.

2. Endorsement in full or special endorsement:

Where the endorser, in addition to his signature, specifies the person to whom or to whose order the instrument is payable, the endorsement is called endorsement in full.

3. Conditional or qualified endorsement:

Where the endorser of a negotiable instrument makes his liability dependent upon the happening of an event which may or may not happen, it is called conditional endorsement.

4. Restrictive Endorsement:

When an endorsement restricts or prohibits further negotiability of the instrument, it is called Restrictive Endorsement.

5. Facultative Endorsement :

If the endorser waives this right by a writing "Notice of dishonour Waived" at the time of endorsing, it is called Facultative endorsement.

6. Partial Endorsement:

Where the endorsement seeks to transfer only a part of the amount payable under the instrument.

UNIT-9 ENTREPRENEURSHIP DEVELOPMENT

Chapter - 23 Elements of Entrepreneurship

II. Very Short Answer Questions:

1. Mention any two features of entrepreneurs.

- ▲ Entrepreneur as a risk bearer
- ▲ Entrepreneur as an Innovator

2. List down the managerial functions of entrepreneurs.

- ◆ Planning
- ◆ Organizing
- ◆ Directing
- ◆ Controlling
- ◆ Co-ordination

3. List down the promotional functions of entrepreneurs.

- ★ Discovery of Idea
- ★ Preparation of business plan
- ★ Mobilization of funds

4. Define Intrapreneur

Pinchot defined intrapreneurs as “dreamers who do, those who take hands-on responsibility for turning an idea into a profitable finished product through assertive risk-taking and innovation.

5. List the problems faced by the women entrepreneurs

- ◇ Problem of Finance
- ◇ Lack of Education
- ◇ Lack of Network Support

III. Short Answer Questions:

1. Define Entrepreneur

Entrepreneur has been defined as “A person who starts a business and is willing to take loss in order to make money”.

2. Distinguish between entrepreneur and Manager.

Difference	Entrepreneur	Manager
Motive	The very motive of an entrepreneur is to start a venture by setting of an entity	The very motive of manager is to render service in an entity setup for execution of venture
Status	Entrepreneur is owner of the entity	Manager is a salaried employee in the entity set up for carrying on the venture.
Skills	An entrepreneur requires creative talent, intuition and urge for innovation.	Manager requires conceptual skills and human relations skills.

3. List down the commercial functions of Entrepreneur and explain them shortly?

(i) Production or Manufacturing:

Under production function, entrepreneur has to take decision relating to selection of factory site, design and layout, type of products to be manufactured, research and development, product design etc.,

(ii) Marketing:

Entrepreneur has to carry of following functions pertaining to consumer research, product planning and development, standardization, packaging, pricing, warehousing, distribution, promotion etc.,

(iii) Human Resource Management:

Entrepreneur has to estimate the manpower needs of the enterprise and accordingly decide the size of manpower required for various slots of organizational structure.

4. The following are the promotional functions of entrepreneurs:**Promotional Functions****1. Discovery of Idea:**

- The first and foremost function of entrepreneur is idea generation.
- A person may conceive his own ideas or develop the ideas contributed by others.

2. Determining the business objectives:

Entrepreneur has to develop business objectives in the backdrop of nature of business and type of business activity i.e. nature of business, manufacturing or trading, type of business organization.

3. Detailed Investigation:

Entrepreneur has to analyse in detail the product proposes to produce.

5. Explain the commercial functions of entrepreneur?**Commercial Functions:****i) Production or Manufacturing:**

Under production function, entrepreneur has to take decision relating to selection of factory site, design and layout, product design etc.,

ii) Marketing:

Entrepreneur has to carry of following functions pertaining to marketing aspect namely consumer research, product planning and development etc.,

(iii) Accounting:

Entrepreneur has to arrange to prepare trading and profit and loss account in order to know the profit or loss incurred or of operation of the business.

IV. Long Answer Questions:**1. How do you classify entrepreneurs?**

According, entrepreneurs are now broadly classified into three groups namely risk bearer, organizer and innovator.

i) Entrepreneur as a Risk Bearer:

- ❖ Entrepreneur acts as an agent combining all factors of production to produce a product or service in order to sell at uncertain price in future.
- ❖ In nutshell, entrepreneur is described to be a risk taker.

ii) Entrepreneur as aOrganiser:

- ⤴ He further elaborates that an entrepreneur faces a great deal of obstacles and misfortunes and undergoes mental agony and anxieties in the process of organizing any venture.
- ⤴ In sum, entrepreneur is described to be an organiser.

iii) Entrepreneur as a Innovator:

- ◆ Introduces a brand new product in the market.
- ◆ Institutes new technology to produce a product.
- ◆ Discovers new course of supply of raw materials.
- ◆ Discovers new products hitherto untapped.

2. What are the characteristics of an entrepreneur?**i) Spirit of Enterprise:**

- ★ Entrepreneur should be bold enough to encounter risk arising from the venture undertaken.

- ★ Entrepreneur should not get discouraged by setbacks or frustrations emerging during the course of entrepreneurial journey.

ii) Self Confidence:

- ✧ Entrepreneur should have a self confidence in order to achieve high goals in the business.
- ✧ The negatives like inconvenience, discomfort, disappointments, rejections, frustrations and so on should not weaken his steely resolve to make the venture a grand success.

iii) Flexibility:

- Entrepreneur should not doggedly stick to decisions in a rigid fashion.
- Entrepreneur should change the decisions made already in the light of ever- changing business environment.

iv) Innovation:

Entrepreneur should contribute something new or something unique to meet the changing requirements of customers namely new product, new method of production, innovating new raw material etc.,

v) Resources Mobilisation:

Entrepreneur should have the capability to mobilize both tangible inputs like manpower, money materials, technology, market, method etc.,

(vi) Hard Work:

- ❖ Entrepreneur should put in strenuous efforts and constant endeavours to accomplish the goals of the venture successfully.

3. Distinguish between an Entrepreneur and an Intrapreneur?

Basis	Entrepreneur	Intrapreneur
Thinking	Entrepreneur is a free thinker	Intrapreneur is forced to think independently but within scope of business activities undertaken in the Enterprise
Dependency	Entrepreneur is an independent Person	Intrapreneur is dependent on the entrepreneur. He is an employee.
Fund Mobilization	Entrepreneur has to mobilize funds to finance the venture.	Intrapreneur does not engage in fund mobilization. But can access funds mobilized by the entrepreneur
Reward	Entrepreneur is rewarded by profit for the risk bearing exercise.	Intrapreneur does not share in profits of venture. But gets perquisites, salary, incentives etc., for the service.
Operation	Entrepreneur operates mostly outside the enterprise	Intrapreneur operates within the enterprise

4. Discuss the problems faced by Women Entrepreneurs?

(i) Problem of Finance:

Financial institutions too do not consider women in general creditworthy as they are sceptical of their entrepreneurial capabilities of women

(ii) Limited Mobility:

The domestic responsibilities do not allow women entrepreneurs to freely move out of business enterprises in connection with business activities

(iii) Lack of Education:

- ★ Illiterate and semi-literate women entrepreneurs encounter a lot of challenges in their entrepreneurial journey with respect to maintaining accounts, understanding money matters, day-to-day operations of the company, marketing the products, applying technology etc.,

(iv) Lack of Network Support:

Women entrepreneurs need much needed psychological support and wiser counseling especially during the time they actually encounter challenges

(v) Sensitivity:

- ✧ Women are more prone to a variety of emotions
- ✧ Being mother, women are vulnerable to many emotions
- ✧ They tend to have sympathy and empathy for others

(vi) Dependent culture:

In India, women however educated and talented are groomed to be dependent on their parents, life partners and children during the various phases of their life cycle

5. Explain in detail the various functions of an entrepreneur?**I. Promotional Functions****1. Discovery of Idea:**

Ideas can be generated through several ways like own experience and exposure of entrepreneur, keen observation of environment, education, training, market survey, environmental scanning and so on.

2. Determining the business objectives:

Entrepreneur has to develop business objectives in the backdrop of nature of business and type of business activity i.e. nature of business, manufacturing or trading, type of business organization.

3. Detailed Investigation:

Entrepreneur has to probe the sources of supply of various inputs required for manufacturing the proposed product, their respective prices and other terms and conditions.

II. Managerial Function:**i) Planning**

Under planning, entrepreneur has to lay down the objectives, goals, vision, mission, policies, procedures, programmes, budget, schedules etc.,

ii) Organizing

Entrepreneur puts in place suitable organizational structure to perform various managerial functions.

iii) Directing

The process of directing involves issuing orders and instructions, guiding, counseling.

iv) Controlling

The various steps involved in control function includes fixing performance standards, measuring the actual performance, comparing actual performance with standards, finding out cases.

III. Commercial Functions:**i) Production or Manufacturing:**

Under production function, entrepreneur has to take decision relating to selection of factory site, design and layout, type of products to be manufactured, research and development, product design etc.,

ii) Marketing:

Entrepreneur has to carry of following functions pertaining to marketing aspect namely consumer research, product planning and development, standardization, packaging, pricing etc.,

iii) Human Resource Management:

Entrepreneur has to estimate the manpower needs of the enterprise and accordingly decide the size of manpower required for various slots of organizational structure.

Chapter - 24 Types of Entrepreneurs

II. Very Short Answer Questions:

1. What is the other name of business entrepreneur?

Business entrepreneur is called solo entrepreneur

2. What is the other name for corporate entrepreneur?

Corporate entrepreneur is called promoter

3. Who are agricultural entrepreneur?

- Agricultural entrepreneurs are those entrepreneurs who raise farm products and market them.
- Those who raise allied products like poultry, meat, fish, honey, skin, agricultural implements, flowers, silk, fruits, prawn etc., are called agricultural entrepreneur.

4. State the name of the following ventures:

- ✕ Started by individuals for profit motive
- ✕ Started by Government.
- ✕ Started as a family business

5. Give some examples of pure entrepreneurs?

DhirubaiAmbani, Jamshadji Tata, T.V. SundaramIyengar, Seshadriji, Birla, Narayanamurthi, Aziz premji and so on.

III. Short Answer Questions:

1. Who is a private entrepreneur?

Ventures started by individual either singly or collectively at their own risk after mobilizing various resources in order to earn profit are called Private entrepreneurship.

2. What is Political environment?

Political Environment is the state, government and its institutions and legislations and the public and private stakeholders who operate and interact with or influence the system.

3. List down few examples of Pure entrepreneurship?

Examples of pure entrepreneurs are as follow as

- ◆ DhirubaiAmbani, - Reliance ADA Group
- ◆ Jamshadji Tata - Tata Group of Companies
- ◆ T.V. SundaramIyengar, - TVS Motor Vehicles
- ◆ Seshadriji, Birla – Aditya Birla Company
- ◆ Narayanamurthi - Infosys
- ◆ Aziz premji - Wipro

4. How does a professional entrepreneur operate?

- ❖ Professional entrepreneur is one who is having a rich expertise in starting a venture but lack interest in continuing the venture as a manager or as a owner.
- ❖ He/she simply sells out the venture started by him to someone else after its successful take-off.
- ❖ They keep on conceiving new ideas to develop alternative projects.

5. Explain about Agricultural entrepreneur?

- ▲ Agricultural entrepreneurs are those entrepreneurs who raise farm products and market them.
- ▲ They use the various inputs like labour, fertilizer, insecticide, water technology etc.
- ▲ Those who raise allied products like poultry, meat, fish, honey, skin, agricultural implements, flowers, silk, fruits, prawn etc., are called agricultural entrepreneur.

IV. Long Answer Questions:

1. Explain in detail on classification according to the type of business?

(i) Business Entrepreneur:

He/she is the one who conceives an idea for a new product/service and establishes a business enterprise to translate his idea into reality.

(ii) Trading Entrepreneur:

- ✧ Trading entrepreneurs are those who restrict themselves to buying and selling finished goods.
- ✧ They may be engaged in domestic and international trade.

(iii) Industrial Entrepreneur:

- Industrial entrepreneurs mobilize the resources of various types and create an entity to manufacture the products or service.
- They add utility to products rolled out by them which is termed as value addition.

(iv) Corporate Entrepreneur:

- ✧ Corporate entrepreneur is called promoter.
- ✧ He/she arranges to fulfil the formalities to start a corporate entity under Company law.

(v) Agricultural Entrepreneur:

- ◆ Agricultural entrepreneurs are those entrepreneurs who raise farm products and market them.
- ◆ They use the various inputs like labour, fertilizer, insecticide, water technology etc.

2. Discuss the nature of functional entrepreneurs?

(i) Innovating Entrepreneur:

Innovative entrepreneur is who is always focused on introducing a new product or introducing something new in the venture already started.

(ii) Imitative Entrepreneur:

Imitative entrepreneur is one who simply imitates existing skill, knowledge or technology already in place in advanced countries.

(iii) Fabian Entrepreneur:

- ✧ These entrepreneurs are said to be conservatives and sceptical about plasticizing any change in their organization.
- ✧ They do not simply change to the changes happening in the environment.

(iv) Drone Entrepreneur:

- Drone entrepreneur are those who are totally opposed to changes unfolding in the environment.
- They used to operate in the niche market.

3. Distinguish between the rural and urban entrepreneur?

Rural Entrepreneur:

- ★ These are people who start venture in rural locations.
- ★ They are provided a lot of economic and fiscal incentives to start their venture in rural and semi urban areas in order to check the exodus of rural people to urban centres in pursuit of employment opportunity.
- ★ Thanks to their immediate access to material, labour or other facilities at low cost.
- ★ As a result the cost of production of rural ventures tends to be low.
- ★ Agricultural and trading entrepreneurs prefer to set up their venture in rural areas.

Urban Entrepreneur:

- ❖ Entrepreneur who commences his entrepreneurial activity in urban areas like State Capital, District Headquarters, Towns, Municipalities etc.,
- ❖ They may be industrial entrepreneur or corporate entrepreneur or retail entrepreneur.

Chapter - 25 Government Schemes for Entrepreneurial Development

II. Very Short Answer Questions

1. Name any four Governmental Entrepreneurial schemes?

- ▲ Startup India
- ▲ Make in India
- ▲ Support to Training and Employment Programmed for Women (STEP)
- ▲ Trade related Entrepreneurship Assistance and Development (TREAD)

2. Give a note on 'Digital India'.

The Digital India Initiative has been launched to modernize the Indian economy to make all government services available electronically.

3. State any three entrepreneurial development schemes of Government of Tamil Nadu?

- ✧ New Entrepreneur Enterprise Development Schemes (NEEDS) Scheme
- ✧ Interest Subsidy Scheme (Interest Subvention Scheme)
- ✧ Tamil Nadu Industrial Investment Corporation Ltd Schemes (TIIC)

4. List down the two types of finance?

- ★ Debt Finance
- ★ Equity Finance

5. Mention the time period of provision Registration Certificate?

The provision Registration Certificate will be issued to entrepreneur after the fulfillment of certain conditions for period of one year subject to renewal of two periods of six months duration.

III. Short Answer Questions

1. What is 'Startup India'?

- ✧ Startup India is an initiative of the Government of India.
- ✧ The campaign was first announced by Indian Prime Minister, Mr.Narendra Modi.
- ✧ Through the Startup India initiative Government of India promotes entrepreneurship by mentoring, nurturing and facilitating startups throughout their life cycle.

2. Expand the following: STEP, JAM, TREAD, M-SIPS, SEED and New Gen IEDC?

- ❖ **STEP** - Support to Training and Employment Programme for Women
- ❖ **JAM** – Jan Dhan-Aadhaar - Mobile
- ❖ **TREAD** – Tread related Entrepreneurship Assistance and Development
- ❖ **M-SIPS** - Modified Special Incentive Package Scheme
- ❖ **SEED** - Science for Equity Empowerment and Development
- ❖ **New Gen IEDC** – New Gen Innovation and Entrepreneurship Development Centre

3. Write a short note on the following

➔ Dairy Entrepreneurship development scheme:

Dairy Entrepreneurship Development Scheme aims at helping entrepreneurs in the field of Agriculture, pets and animals, and social impact to set up small dairy farms.

➔ Project Report:

- Project reports needs to be prepared according to the format prescribed in the loan application form of term lending institutions.
- An entrepreneur can get the report prepared either by technical consultancy organization

4. What is the procedure for getting power connection for an Entrepreneurial Venture?

Entrepreneur has to make application to Assistant Divisional Engineer of State Electricity Board for Power connection after paying Security Deposit and fulfilling the official formalities prescribed.

IV. Long Answer Questions:

1. Explain any five Government Entrepreneurial Schemes?

i. Support to Training and Employment Programmed for Women (STEP):

STEP was launched by the Government of India's Ministry of women and child Development to train women who have access to formal skill training facilities, especially in rural India.

ii. Jan Dhan- Aadhaar- Mobile (JAM):

JAM, for the first time, is a technological intervention that enables direct transfer of subsidies to intended beneficiaries.

iii. Trade related Entrepreneurship Assistance and Development (TREAD):

This schemes envisages to address the critical issues of access to credit among India's underprivileged women, the TREAD programmed enables credit availability to interested women through NGOs.

iv. Modified Special Incentive Package Scheme (M-SIPS):

The M-SIPS scheme provides capital subsidy of 20% in SEZ and 25% subsidy in non-SEZ for business units engaged in manufacturing of electronics in the fields of the Internet of Things, aeronautics.

v. Science for equity Empowerment and Development (SEED):

SEED aims to provide opportunities to motivated scientists and field level workers to undertake action-oriented, location specific projects for socio-economic gain, particularly in rural areas.

2. Describe the steps promoting Entrepreneurial venture?

1. Selection of the product:

An entrepreneur may select a product according to his aspiration, capacity and motivation after a through scrutiny of micro and macro environment of business.

2. Selection of form of ownership:

Entrepreneur has to choose the form of organization suitable and appropriate for his venture namely family ownership, partnership and private limited company.

3. Selection of Site:

- ▲ Entrepreneur has to choose suitable plot for accommodating his venture.
- ▲ He has four options open to him for housing his venture.

4. Designing Capital Structure:

- Entrepreneur has to determine the source of finance for funding the venture.
- He/she may mobilize funds from his own savings, loans from friends and relatives, term loans from banks and financial institutions.

5. Acquisition of Manufacturing Know-how:

Entrepreneur can acquire manufacturing know- how from Government research laboratories, research and development divisions of industries, and individual consultants.

3. Discuss the preparation of a project report?

1). Preparation of Project Report:

Project reports needs to be prepared according to the format prescribed in the loan application form of term lending institutions.

2). Technical Feasibility:

- ✧ Raw materials availability
- ✧ Manufacturing process

- ✧ Availability of water, power, transport and communication facilities.

3). **Economic Viability:**

It essentially involves compilation of demand for domestic and export market, installed capacity of machines, market share, revenue expected, and suitable price structure.

4). **Managerial Competency:**

- ★ Entrepreneur has to include the mechanism for managing the venture in the project report.
- ★ He has to provide details of the organizational structure contemplated in the project report for implementing the venture.

5). **Provisional Registration Certificate:**

- ✧ Entrepreneur has to apply for Provisional Registration Certificate.
- ✧ It will be issued to entrepreneur after the fulfillment of certain conditions for a period of one year subject to renewal of two periods of six months duration.

UNIT-10 COMPANY LAW AND SECRETARIAL PRACTICE

Chapter - 26 Companies Act 2013

II. Very Short Answer Questions:

1. Who is called as Promoters?

Who has been named as such in a prospectus or is identified by the company in the annual return referred to in section 92;

2. What is Share?

According to section 2(84) of the Companies Act, 2013, share means in the “share Capital of a company and includes stock except where a distinction between stock and share is expressed or implied”

3. What do you mean by Equity Share?

The share of a company which do not have any preferential rights with regard to dividend any repayment of share capital at the time of liquidation of a company, is also called as Equity Share.

4. What do you understand by Preference Share?

According to Section 42 of the Companies Act, 2013 the term ‘Preference shares’ mean that part of the share capital the holders of which have a preferential right over payment of dividend and repayment of share capital in the event of winding up of the company’.

5. What is Sweat Equity Shares?

Sweat Equity shares means issue of shares to employees or directors at lower price for cash or other than Cash, in lieu of providing know- how or making available rights in the nature of intellectual property rights or any value additions.

6. What is Bonus Shares?

- ❖ A company may, if its Articles provide, capitalize its profits by issuing fully-paid bonus shares.
- ❖ To utilize the company’s reserves and surpluses, issue of shares to existing shareholders without taking any consideration is known as Bonus Shares.

7. What is Right shares?

Right shares are the shares which are issued by the company, with the aim of increasing the subscribed share capital of the company by further issue, if it is authorized by its Articles.

8. What is Private Placement?

Private placement means offer of securities or invitation to subscribe to securities to a select group of persons through private placement offer letter.

9. Define Share Warrant?

A share warrant is a negotiable instrument, issued by the public limited company only against fully paid up shares.

10. What is Debentures?

When a company needs fund it can borrow from general public by issuing certificate for a fixed period of time and at a fixed rate of interest.

III. Short Answer Questions:

1. Distinguish between shares and stocks?

S.No	Basis of Comparison	Shares	Stock
1.	Meaning	The capital of a company, is divided into small units, which are commonly known as shares	The conversion of fully paid up shares of a member into a single fund is known as stock
2.	Nature of Original issue	It is possible for a company to make original issue	It is not possible for a company to make original issue
3.	Paid up value	It can be partly or fully paid up	It can only be fully paid up

2. What do you understand by Issue of Securities at Premium?

- When shares are issued at a price above the face or nominal value, they are said to be issued at a premium.
- The amount of share premium has be transferred to an account called the 'Securities Premium Account'.
- This account is capital in nature and can only be utilized for the purposes specified by the Act under Section 78.

3. What is issue of shares at discount? What conditions should be fulfilled?

- ▲ When the shares are issued at a price below the face value they are said to be issued at a discount.
- ▲ For example, a share having the face value of Rs 10 is issued at Rs 8.
- ▲ The companies act 2013, prohibits the issue of shares at discount (section 53) except sweat Equity share.

4. State condition stipulated for capital subscription at the time of promotion?

The following are the conditions stipulated for capital subscription at the time of promotion.

- ✧ The fulfilling formalities to raise necessary capital
- ✧ Adhering to SEBI guidelines in this regard
- ✧ Observing guidelines for Disclosure and investor protection issued by SEBI

5. Explain different Kinds of preference shares?

- ★ Cumulative Preference Shares
- ★ Non-cumulative Preference Shares
- ★ Redeemable Preference Shares
- ★ Non-Redeemable Preference Shares
- ★ Convertible Preference shares
- ★ Non-convertible Preference shares
- ★ Participating Preference Shares

IV. Long Answer Questions:**1. Write the difference between Debentures and Shares?**

S.No	Debentures	Shares
1.	Debentures constitute a loan.	Shares are part of the capital of a company.
2.	Middle and Lower Level.	Top level.
3.	Debentures holder gets fixed rate of Interest which carries a priorities over dividend.	Shareholders gets dividends with a varying rate.
4.	Debentures generally have a charge on the assets of the company.	Shares do not carry any such charge.
5.	Debentures can be issued at a discount without restrictions.	Shares cannot be issued at a discount.
6.	Debentures holders do not have any voting right.	Shareholders enjoy voting right.

2. Brief different stages in Formation of a Company?**Formation/Incorporation of a company:****1. Promotion: First Stage**

- ✦ Promotion stage begins when the idea to form a company comes in the minds of a company comes in the mind of a person.
- ✦ The person who envisage the idea is called a 'promoter', Section 2 (69) of the companies act, 2013

2. Registration or Incorporation: Second stage:

The second stage in the formation of the company is incorporation or registration. In this stage the promoter does the following:

- ✦ Application for availability of name of company
- ✦ Preparation of memorandum and articles of association
- ✦ Declaration from the professional

3. Capital subscription: Third Stage

- Both private company and public company not having share capital can commence its business after the completion of the above stages.
- But a public limited company having its share capital has to pass through two more stages.

4. Commencement of Business: Fourth stage:

As per section 11 of the act, a company having share capital should file with the registrar, Declaration stating that

- ♦ Every subscriber to the memorandum has paid the value of shares agreed to be taken by him
- ♦ Paid up capital is not less than Rs. 5 lakhs in the case of public limited company and Rs. 1 lakh in the case of private limited company.

3. What are the various kinds of Debentures?**Kinds of Debentures:****I. On the basis of convertibility:****1. Non Convertible Debentures (NCD):**

These instruments retain the debt character and cannot be converted into equity shares.

2. Partly Convertible Debentures (PCD):

A part of these instruments are converted into equity shares in the future at notice of the issuer.

3. Fully convertible Debentures (FCD):

These are fully convertible into Equity shares at the issuer's notice.

4. Optionally Convertible Debentures (OCD):

The investor has the option to either convert these debentures into shares at a price decided by the issuer/agreed upon at the time of issue.

II. On the basis of Security, debentures are classified into:**A. Secured Debentures:**

These instruments are secured by a charge on the fixed assets of the issuer company.

B. Unsecured Debentures:

These instrument are unsecured in the sense that if the issuer defaults on payment of the interest or principal amount, the investor has to be included as unsecured creditors of the company.

III. On the basis of Redeemability,**A. Redeemable Debentures:**

It refers to the debentures which are issued with a condition that the debentures will be redeemed.

B. Perpetual or Irredeemable Debentures:

A Debentures, in which no specific time is specified by the companies to pay back the money.

IV. On the basis of Registration,**A. Registered Debentures:**

Registered debentures are issued in the name of a particular person, whose name appears on the debentures certificate.

B. Bearer debentures:

Bearer debentures on the other hand, are issued to bearer, and are negotiable instruments.

5. What formalities need to be fulfilled for a company's having share capital to commence business?

As per section 11 of the act, a company having share capital should file with the registrar, declaration stating that

- ✧ Every subscriber to the memorandum has paid the value of shares agreed to be taken by him
- ✧ Paid up capital is not less than Rs. 5 lakhs in the case of public limited company and Rs. 1 lakh in the case of private limited company.
- ✧ It has filed the registrar the verification of the registered office. These restrictions in section 11 are applicable to companies having share capital. It can commence business only after fulfilling all the formalities Mentioned above and exercise borrowing powers immediately after incorporation.

6. Write the difference between share Certificate between and Share Warrant?

S.No	Basis of Difference	Share Certificate	Share Warrant
1.	Meaning	It is a legal document indicates the possession of the shareholder on the specified number of shares.	It is a document which indicates the bearer of the share warrant is entitled to the specified number of shares is share warrant
2.	certificate	It is a compulsory certificate	It is not a compulsory certificate
3.	Issued by	It is issued by all the companies limited by shares irrespective of public or private	It is issued by only public limited companies
4.	Transfer of Certificate	The transfer of share certificate can be done by executing a valid transfer deed	The transfer of share warrant can be done by mere hand delivery
5.	Time limit	It is issued within 3 months of the allotment of shares	There is no time limit for share warrant

Chapter - 27 Company Management

II. Very Short Answer Questions:

1. Define Director.

The Companies act 2013 section 2 (34) defines a director appointed to the board of a Company is “A person who is appointed or elected member of the board of Directors of a company.

2. Name the companies required to appoint KMP.

- ♦ Every listed company
- ♦ Every public company (Having paid up share capital of Rs. 10 crore or more)

3. Who is whole time Director?

A Whole Time Director is one who devotes whole of his time of working hours to the company and has a significant personal interest in the company as the source of his income.

4. Who is called as Managing Director?

A Managing Director is one who is employed by the company and has substantial powers of management over the affairs of the company subject to superintendence, direction and control of the board.

5. Who can be Executive Director?

An executive director is a Chief Executive Officer (CEO) of company, or corporation, who is responsible for making decisions to complete the mission and for the success of the organization.

III. Short Answer Questions:

1. Differentiate Executive and non-Executive Directors.

- ★ An Executive Director can be either a whole-time Director of the Company or a managing Director.
- ★ But a Non-Executive director is a Director who is neither a Whole- time Director nor a Managing director.

2. When are alternative directors appointed?

- ✖ Alternate director is appointed by the Board of Directors, as a substitute to a director who may be absent from India, for a period which is not less than three months.
- ✖ The appointment must be authorized either by the Articles of association of the company or by a passing a resolution in the general Meeting.
- ✖ The alternative director is not a representative or agent of Original Director.

3. Who is a shadow director?

Shadow Director:

A person who is not the member of Board but has some power to run it can be appointed as the directors but according to his/her wish.

4. What is causal Vacancy?

It means a vacancy caused due to death, disqualification and resignation of an auditor.

5. State the minimum number of directors for a Private company.

Minimum number of Directors:

a) **Public Company:** Every public company shall have a minimum number of 3 directors and

b) **Private company:**

- ♦ **In case of One Person Company:** The requirement of directors is one.
- ♦ **Other Private Companies:** The minimum requirement of Directors is two.

IV. Long Answer Questions:

1. Who are the KMP?

Key-Managerial Personnel of a Company

KMP covers the traditional roles of managing director and whole time director and also includes some functional heads like Chief Financial Officer and Chief Executive Officer and Company Secretary.

who are the key managerial personnel?

- ❖ The definition of the term Key Managerial Personnel is contained in Section 2(51) of the companies Act, 2013. This section states:
 - ♦ the Chief Executive Officer
 - ♦ the Managing Director or the Manager
 - ♦ the Company Secretary
 - ♦ the Whole-time Director;
 - ♦ the Chief financial Officer; and
 - ♦ such other officer as may be prescribed;

Following companies are required to appoint KMP:

- Every listed company
- Every public company (Having paid up share capital of Rs. 10 crore or more)

2. Explain composition of the board of directors.

COMPOSITION OF THE BOARD OF DIRECTORS:

a) General Optimum combination:

Board of Directors shall have an optimum combination of executive and non-executive directors with at least one woman director and not less than fifty percent of the board of directors shall comprise of non-executive directors.

b) When the non-executive director is the Chairperson:

In this case, at least one-third of the board of directors shall comprise of independent directors and where the company does not have a regular non-executive chairperson, at least half of the board of directors shall comprise independent directors.

c) When the non-executive chairperson is a promoter or is related to any promoter or person occupying management positions at the level of board of director or at one level below the Board of Directors:

- In this case, at least one half of the board of directors of the company shall consist of Independent Directors (ID).
- A director is appointed to the board of a company. Such directors have a different role to play to attain the goal of the company.

3. Brief different types of Directors.

The following are the types of Directors as per Companies Act 2013

1. Residential Director:

According to section 149(3) of Companies Act 2013, Every company should appoint a director who has stayed in India for a total period of not less than 182 days in the previous calendar year.

2. Independent Director:

According to section 149(6) an independent director is an alternate director other than a managing director who is known as Whole Time director or Nominee Director.

3. Small shareholders directors:

Small Shareholders can appoint a single director in a listed company. But this action needs a proper procedure like handing over a notice to at least 1,000 shareholders or 1/10th of the total shareholders.

4. Nominee director:

“A director nominated by any financial Institution on pursuance of the provisions of any law for the time being in force, or of any agreement, or appointed by any Government, or any other person to represent its interests”.

5. Women Director:

As per section 149 (1) (a), there are certain categories according to which there should be at least one woman as a director on the board.

6. Additional directors:

Any individual can be appointed as Additional directors by a company.

4. State the qualifications of Directors.

- ❖ In general, a director shall possess appropriate skills, experience and knowledge in one or more fields of finance, law, management, sales, marketing, administration, research, corporate governance, technical operations or other disciplines related to the company's business.
- ❖ According to the different provisions relating to the directors; the following qualifications may be mentioned:
 - ⬆ A director must be a person of sound mind.
 - ⬆ A director must hold share qualification, if the article of association provides such.
 - ⬆ A director must be an individual.
 - ⬆ A director should be a solvent person.
 - ⬆ A director should not be convicted by the Court for any offence, etc.

5. List the disqualifications of directors.**Disqualifications of a director:**

Section 164 of companies act, 2013, has mentioned the disqualification as mentioned below:

1) A person shall not be capable of being appointed director of a company, if the director is

- ★ Of unsound mind
- ★ An undercharged insolvent;
- ★ Has been convicted by a court for any offence involving moral turpitude and sentenced in respect thereof to imprisonment for not less than six months
- ★ Has not paid any call in respect of shares of the company held by him, whether alone or jointly with others.
- ★ An order disqualifying him for appointments as director has been passed by a court in pursuance of section 203.
- ★ He has been convicted of the offence dealing with related party transactions under section 188.
- ★ He has not got the Director Identification Number.

6. Explain how director of a company can be removed from the office.**Removal of Director:**

A director of company can be removed from his office before the expiry of his term by

- ♦ the shareholders
- ♦ the central government
- ♦ the company law board

a) Removal by shareholder 169:

A company (whether public or private) may, by giving a special notice and passing an ordinary resolution, remove a director before the expiry of his period of office without the proof of mismanagement, breach of trust, misfeasance or other misconduct on the part of the director.

b) Removal by the Central Government:

- ✧ Where a person concerned in the conduct and management of the affairs of a company has been guilty of fraud, misfeasance, persistent negligence in carrying out his obligations.
- ✧ Where the business of a company has not been conducted and managed by such a person, in accordance with sound business principles or prudent commercial practices;

c) Removal by the company law board:

If an application has been made to the company law board against the oppression and mismanagement of the company's affairs by a director, then the company law board.

7. What is the maximum limit for the Managerial remuneration?**Managerial Remuneration**

The managerial remuneration is payable to a person's appointed u/s 196 of the Act. The term remuneration means any money or its equivalent given or passed to any person for services rendered by him and includes perquisites.

- ✧ Value of rent-free or concession accommodation.
- ✧ Value any other items provided at free of cost or at concessional rate.
- ✧ Value of securities/sweat equity shares allotted or transferred by the employer or former employer to the employee.
- ✧ A contribution made by an employer to an approved superannuation fund.
- ✧ Value of any other fringe benefit or amenity.

Forms of Managerial Remuneration:

- ◆ Based on profit of the company
- ◆ Based on Shareholders' recommendations
- ◆ Based on shareholders' and central Government recommendations.

8. What are the duties of a director?**Duties of director:**

Directors act as agents of the shareholders and act as a trustees of shareholders. Thus they have a fiduciary duty to protect the property of the company. Simply stated the following are the duties of directors.

Collective duties of directors:

- ✧ Appointment of First Auditors
- ✧ Issuance of notice and holding of board meetings and shareholders meetings
- ✧ Passing of resolutions at board meetings or by circulation.

General duties of Directors:

- Structuring or new policy to reach the objectives of a company.
- Delegating power to any committee if the articles permits for well being of the company.
- Issuing instructions to employees for implementation of policy to review company's progress.

Specific Duties of Directors:

- ❖ Duty to disclose his name, address and occupation
- ❖ Duty to disclose his shareholding and interest in contracts of the company.
- ❖ Duty to hold minimum qualification shares within two months after his appointment.

9. State the powers of the directors.**Power of Director:**

- ▲ Directors should have a vision to frame policies to achieve high level of performance.
- ▲ To achieve high level of performance, they must set the goals of the company.

Statutory powers of directors:

- ★ Power to make calls on shareholders in respect of money unpaid on their shares.
- ★ Power to issue debentures.

Managerial powers of directors:

- ◆ Power to contract with the third party.
- ◆ Power to allot, forfeit or transfer shares of company.

Power only with a resolution:

- ◇ To sell or lease any asset of the company
- ◇ To allow time to the director for repayment of the loan

Other powers:

- ✕ Power to fill casual vacancy
- ✕ Power to appoint the first auditor of the company

10. State the Criminal liabilities of Directors.

Criminal liabilities of directors:

Directors will be liable with a fine and Imprisonment or both for fraud of non-compliance of any statutory provisions in the following situations where

- ▲ There is mis-statement in prospectus
- ▲ There is failure to file return on allotment with the registrar
- ▲ There is failure to give notice to the registrar for conversion of share into stock
- ▲ There is failure to issue share certificate and debenture certificate
- ▲ There is failure to maintain register of the members and register of debenture holders
- ▲ There is default in holding annual general meeting
- ▲ There is failure to provide financial statements.

CHAPTER 28 COMPANY SECRETARY

II. Very Short Answer Questions:

1. Who is a secretary?

Section 2(24) of the companies Act, 2013 defines “company secretary” or “secretary” means any individual possessing the prescribed qualifications, appointed to perform the duties which may be performed by a secretary under this act”.

2. Define meeting?

A meeting is a gathering of two or more people that has been convened for the purpose of achieving a common goal through verbal interaction such as sharing information or reaching agreement.

3. What is resolution?

- ▲ As per the companies act 2013, for taking any decision or executing any transaction, the consent of the shareholders, the board of directors and other specified is required.
- ▲ The decisions taken at a meeting are called resolution.

4. Write short note on ‘proxy’?

Proxy means a person being the representative of a shareholder at the meeting of the company who may be described as his agent to carry out which the shareholder has himself decided upon.

5. What is vote?

- ◇ According to section 47 of the Companies Act, 2013 the proposal is subject to the approval only when majority of the members or shareholders accept it.
- ◇ By casting his vote one formally declaring his opinion.

III. Short Answer Questions:**1. What is special resolution?**

- ★ A special resolution is the one which is passed by a not less than 75% of majority. The number of votes, cast in favour of the resolution should be three times the number of votes cast against it.
- ★ The intention of proposing a resolution as a special resolution must be specifically mentioned in the notice of the general meeting.

2. What do you mean by statutory meeting?

- ✖ According to companies act, every public company, should hold a meeting of the shareholders within 6 months but not earlier than one month from date of commencement of business of the company.
- ✖ The first general meeting of the public company is called statutory meeting.
- ✖ The company gives the circular to shareholder before 21days of the meeting.

3. What do you understand by 'poll'?

- Poll means tendering or offering vote by ballot to a specially appointed officer, called the polling officer.
- Under the companies act, poll means exercising voting right in proportion to shareholder's contribution to the paid-up capital of a limited company having a share capital.

4. Give any three cases in which ordinary Resolution need to be passed?

- ❖ To change or rectify the name of the company.
- ❖ To alter the share capital of the company.
- ❖ To increase or decrease the number of directors within the limits prescribed.

5. What resolution is requires special notices?

- ▲ There are certain matters specified in the Companies Act, 2013 which may be discussed at a general meeting only if a special notice is given at least 14 days before the meeting.
- ▲ The intention to propose any resolution must be notified to the company.
- ▲ The following matters require special notice Before they are discussed in the meeting:-
 - ☞ To appoint an auditors.
 - ☞ To remove a director.

IV. Long Answer Questions:**1. Elaborate the functions of the company secretary?**

Functions of the company secretary may be discussed under two headings:

(i) Statutory functions or duties (ii) non- statutory functions or duties.

(i) Statutory functions:

- ★ As the principal officer of the company, the secretary must observe all the legal formalities in respect of the provisions of the companies act.
- ★ To sign document and proceedings requiring authentication by the company
- ★ To maintaining share registers and register of directors and contracts
- ★ To give notice to register for increase in the share capital
- ★ To deliver share certificate of allotment within 2 months after transfer

(ii) Non – Statutory Function

Secretary has to discharge non – statutory functions in relation to directors, shareholders and office and staff. These functions are briefly mentioned.

- ▲ Functions as agent of directors
- ▲ Functions towards shareholders
- ▲ Functions towards office and staff.

2. Discuss the liabilities of Company Secretary?

The following are the liabilities of Company Secretary:

- ✧ According to Section 39, for the failure to send copies of Memorandum and Articles, to the members within seven days of the requirement, the company secretary has to pay a fine upto Rs.50 for each offence.
- ✧ According Section 75, for the failure to file with the registrar a return of the allotments of shares within thirty days after the allotment, a fine up to Rs.500 for every day during which the default continues will be imposed.
- ✧ According to Section 150, for the failure to maintain register of members with the prescribed particulars, fine up to Rs.50 for everyday during which the default continues will be imposed.
- ✧ According to section 165, for default in holding the statutory meeting and filing the statutory report , fine upto Rs.500 will be imposed.

3. Briefly state different types of company meetings?

Kinds of company meetings:

Shareholders meetings:

a) Statutory meeting :

According to companies act, every public company, should hold a meeting of the shareholders within 6 month but not earlier than one month from to date of commencement of business of the company.

b) Annual general meeting (AGM):

Every year a meetings is held to transact the ordinary business of the company. Such meeting is called annual general meeting of company(AGM).

c) Extra-ordinary general meeting:

- ★ Both statutory meeting and annual general meetings called a ordinary meetings of a company.
- ★ All other general meetings other than statutory and annual general meetings are called extraordinary general meetings.

Meeting of the board of directors:

(a) Board meetings:

- ✧ First meeting of directors should be convened within 30(Thirty) days from the date of incorporation of the company.
- ✧ Meetings of directors are called board meetings.

(b) Committee meetings:

- Every listed company and every other public company having paid up shared it capital of Rs.10crore is required to have Audit .
- This committee should meet at least four times in a year.

(c) Special meeting:

- ◆ Class meeting.
- ◆ Meetings of the creditors.

4. Describe the different types of resolutions which company may pass with suitable matters required for each type of resolution?

Kinds of Resolution

a) Ordinary Resolution:

An ordinary resolution is one which can be passed by a simple majority.i.e. if the members of votes cast by members, entitled to vote in favour of the resolution is more than the votes cast against the resolution.

Ordinary resolution is required for the following Matters

- To change or rectify the name of the company.

- To alter the share capital of the company
- To appoint the directors

b) Special resolution:

A special resolution is the one which is passed by a not less than 75% of majority. The number of votes, cast in favour of the votes cast against it.

Special resolution is required for the following matters

- ◆ To change the objectives of the company
- ◆ To change the name of the company
- ◆ To appoint the auditor for the company

c) Resolution requiring special notice:

There are certain matter specified in the companies act, 2013 which may be discussed at a general meeting only if a special notice is given at least 14days before the meetings.

- ⤴ To appoint an auditor, a person other than a retiring auditor
- ⤴ To provide expressly that a retiring auditor shall not be reappointed
- ⤴ To appoint a director in the place of a director so removed.

5. Explain different types of open and secret types of voting?

Procedures of voting

There are two distinct procedures of voting viz., open and secret procedures.

i) Open procedure:

- ❖ This type of voting has no secrecy as the all the members assembled can see voting.
- ❖ There are two popular method of open voting namely voice and voting by show of hands.

a) By voice:

voice voting is a popular type of voting in which the chairman allows the members to raise their voice in favour or against an issue 'Yes' for approval and 'No' for rejection.

b) By show of hands:

Under this method the chairman, requests the members to raise their hands of those who are in favour of the proposal or candidate and the then request those are against.

ii) Secret procedure:

- ❖ Secret procedure is adopted to decided certain vital issues.
- ❖ it is a popular voting method that could Maintain the secrecy of the voter.

c) By Ballot:

Under this system, ballot paper bearing serial number is given to the members to record their opinion by marketing with the symbol or shareholders have to cast their vote in a secret chamber and put the ballot paper into the ballot box.

Best of Luck



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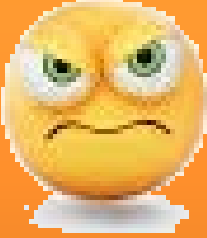


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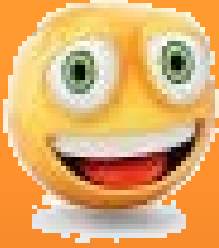


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