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## **UNIT -1 MANAGEMENT PROCESS**

### **LESSON-1 PRINCIPLES OF MANAGEMENT**

#### **I. CHOOSE THE CORRECT ANSWER: (1 marks)**

1. Management is what a----- does?  
a. **Manager** b. Subordinate c. Supervisor d. Superior
2. Management is an -----  
a. Art b. Science c. **Art and Science** d. Art or Science
3. Scientific management is developed by  
a. Fayol b. **Taylor** c. Mayo d. Jacob
4. Dividing the work into small tasks is known as  
a. Discipline b. Unity c. **Division of work** d. Equity.
5. With a wider span, there will be----- hierarchical levels.  
a. More b. **Less** c. Multiple d. Additional.

#### **Interior Questions:**

1. Management has now developed into has specialized body of **MANAGEMENT THEORY** and **PHILOSOPHY**.
2. **MANAGEMENT** studies in many universities and institutions of higher learning are recognized as a separate discipline.
3. **SYSTEMS** have approach concentrates on the entire organization.

4. **CONTINGENCY** approach emphasis dynamic nature of management process in an ever- changing business environment.
5. **MANAGEMENT** is all about plans and action.
6. The art of management is fully reflected in the **DECISION-MAKING** capacity of a manager.
7. **RULE OF THUMB** means decision taken by manager as per their personal judgments.
8. **MENTAL REVOLUTION** requires a complete change in the outlook of both management and workers.
9. **CENTRALISATION** the concentration of decision making authority at the top management.
10. **LINE OF AUTHORITY** refers to chain of superiors ranging from top management to the lowest rank.
11. **ALLOCATION MANAGEMENT** is the study of how to create an organizational structure that least to high efficiency and effectiveness.
12. **MANAGEMENT** is thought and parcel of day today life.
13. **MANAGEMENT LITERATURE** is growing in all country.
14. **ADMINISTRATION** is the decision making body of an organization.
15. Authority refers to **RIGHT TO GET WORK DONE.**
16. **TEAM SPRIT** helps to finish to task on time.
17. **SOCIAL ORDER** ensures the fluid operation of a company through authoritative procedure.



18. **DISCIPLINE** is essential for the smooth functioning of all organization.

**II. Very short answer questions: (2MARKS)**

**1. What is Management?**

Management is part and parcel of our day today life . It is an art of getting things done through others.

**2. List out the management tools.**

Tools of managements have been developed such as accounting, business law, psychology, statistics, econometrics, data processing etc.

**3. Who is a manager?**

According to Peter Drucker, the manager has to balance and integrate three major jobs of a business enterprise such as

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

Hence, a manager is a dynamic and life giving element in every business. Without efficient management it cannot be secure the best allocation and utilization of human, material and financial resource.

**4. State the meaning of Authority.**

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

**5. What do you mean by Span of Management?**

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

### **Interior Questions:**

#### **1. What is responsibility?**

Responsibility means obligation for performance.

#### **2. What is unity of direction?**

All related activities should be put under one group, there should be one plan of action for them, and they should be under the control of one manager.

#### **3. What are the functional area of management?**

The functional area of management are : export management, personnel management, general management, production management, marketing management and financial management.

#### **4. What are 4 M's?**

Men, Machine, Money and Materials are called 4 M's.

#### **5. What is scientific management?**

Scientific management refers to the use of scientific methods to management problems.

#### **6. What is unity of command?**

Each subordinate should receive orders and be accountable to one and only one superior.

**7. What is meant by Esprit De Corps?**

This refers to the need of managers to ensure and develop morale in the workplace: individually and communally.

**8. What is meant by Management Process?**

Management is rewarded as a social process because directly concerned with management of human resources in order to secure co-operation and team work from the people in the performance.

**9. What are the twin purposes of the management process?**

**There are twin purposes of the management process:**

- Maximum productivity or profitability and
- Maximum human welfare and satisfaction.

**10. What are the three jobs of management?**

- ❖ According to Peter Drucker, the manager has to balance and integrate three major jobs of a business enterprise such as
  - Managing a business
  - Managing manager, and
  - Managing workers and work.
  - It becomes possible by

**11. What are the factors determining the harmony of an employee and manager in the workplace?**

- .a. sharing a part of surplus with workers
- b. training of employees,
- c. division of work

- d. team spirit,
- e. positive attitude
- f. sense of discipline and
- g. sincerity etc.

### **III. Short answer questions: ( 3Marks)**

#### **1. Define the term management.**

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

#### **2. Is management an Art or Science?**

##### **Meaning:**

- ❖ The nature of management whether it is an Art of doing things or it is a pure Science of getting things or it is pure Science of getting things done.

##### **Is Management a Science?**

- ❖ Management is an in-exact science, because in pure science, the principles are put into test in a laboratory and they are either proved or disproved exactly and precisely.
- ❖ Similarly the management principles can be put to test in an organization where men, machine, money and materials

(4Ms) are practically integrated towards achieving some chosen organizational goals.

❖ So, management can be described as an inexact science.

### **Is Management an Art?**

❖ Everyone believes that management is an art. No, it is not an art in Toto and practicing them in the day to day life.

❖ **To conclude,**

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

### **3. Differentiate Management from Administration.**

<b>BASIS FOR COMPARISON</b>	<b>MANAGEMENT</b>	<b>ADMINISTRATION</b>
<b>Meaning</b>	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.
<b>Authority</b>	Middle and lower level	Top Level
<b>Role</b>	Executive	Decisive
<b>Concerned with</b>	Policy implementation	Policy formulation

<b>Area of operation</b>	In works under administration	It has full control over the activities of the organization
<b>Applicable to</b>	Profit making organizations, i.e. business organizations.	Government officers, Military, clubs, business enterprises, hospitals, religious and educational organizations.
<b>Decides</b>	Who will do the work? And How will it be done?	What should be done? And when is should be done?
<b>Work</b>	Putting plans and policies into actions.	Formulation of plans, framing policies, and setting of the objectives.
<b>Focus on</b>	Managing work	Making best possible allocation and of limited resources.
<b>Key person</b>	Manager	Administrator
<b>Represents</b>	Employees, who work for remuneration.	Owners, who get a return of the capital invested by them
<b>Function</b>	Executive and governing	Legislative and determinative.

#### 4. What are the Principles of Taylor?

- Mr. Frederick Winslow Taylor (F.W. Taylor) brought about a scientific approach to managing the workforce after his experiments with the African and South American slaves employed in a coal field in England. His aim was absolute harmony in work place for overall productivity of the organization.



➤ **Principles of scientific management propounded by Taylor are**

- ✓ Science, Not Rule of Thumb
- ✓ Harmony, Not Discord
- ✓ Mental Revolution
- ✓ Cooperation, Not Individualism
- ✓ Development of each and every person to his or her greatest efficiency and prosperity.

**5. What determines the span of management?**

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

**The Span of Management has two implications;**

- Influences the complexities of the individual manager's job.
- Determine the shape or configuration of the Organisation.

**Interior Questions:**

**1. Explain the principle ideas of school of management.**

- ❖ **Functional school** sees management as a process of planning, organizing, directing and controlling.
- ❖ **Behavioural School** is not interested in the process only but rather in the way the process affect the organization, i.e., with and to personnel of human resource.

- ❖ **Quantitative School** wants to improve the quality of decision making, i.e., fulfilling the stated objectives of the enterprise.
- ❖ **Systems Approach** concentrate on the entire organization, i.e., inputs-process- outputs.
- ❖ **Contingency Approach** emphasis dynamic nature of management process in an ever changing business environment.

#### **IV. Long Answer questions: (5marks)**

##### **1. Explain the concept of management.**

The management concept can be understood from its propound characteristics features as follows:

##### ❖ **Body of Knowledge:**

Management has now developed into as specialized body of management theory and philosophy. Management literature is growing in all country.

##### ❖ **Management Tools:**

Tools of managements have been developed such as accounting, business law, psychology, statistics, econometrics, data processing, etc.

##### ❖ **Separate discipline:**

Management studies in many universities and institutions of higher learning are recognized as a separate discipline.

##### ❖ **Specialization:**



There is a growing tendency to select and appoint highly qualified, trained and experience persons to manage the business in each functional areas of management.

❖ **Code of conduct:**

Enlighten businessman have recognized that business management is a social institution and it has social responsibilities to be fulfilled- towards customer, employees and the public or community.

❖ **Professional Association:**

The business management association in many country to promote the spread of knowledge in all management areas and to build up the bright public image of managerial profession.

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

There are twin purposes of the management process:

- Maximum productivity or profitability and
- Maximum human welfare and satisfaction.

**There are five parts of management as a process;**

- the co-ordination of resources;
- The performance of managerial functions as a means of achieving coordination.
- Establishing the objective or purpose of management process, i.e., it must be purposeful managerial activity
- Management is a social process, and
- Its cyclical nature.

❖ **Management is Co-ordination;**

The manager of enterprises must effectively coordinate all activities and resources of the organization, namely, men, machines, materials and money the four M's of Management.

❖ **Management is a process:**

The manager achieves proper co-ordination of resources by means of the managerial functions of planning, organizing, staffing, directing (or leading and motivating) and controlling.

❖ **Management is a Purposive Process:**

It is directed toward the achievement of predetermined goals or objectives.

Both management and organization must be purposive or goal-oriented.

❖ **Management is a Social Process:**

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

❖ **Management is a Cyclical Process:**

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

**3. Describe the principles of scientific management.**

- Mr. Frederick Winslow Taylor (F.W. Taylor) brought about a scientific approach to managing the workforce after his experiments with the African and South American slaves employed in a coal field in England. His aim was absolute harmony in work place for overall productivity of the organization.

➤ **Principles of scientific management propounded by Taylor are**

- ✓ Science, Not Rule of Thumb
- ✓ Harmony, Not Discord
- ✓ Mental Revolution
- ✓ Cooperation, Not Individualism
- ✓ Development of each and every person to his or her greatest efficiency and prosperity.

**Science, Not Rule of Thumb**

- Rule of Thumb means decisions taken by manager as per their personal judgments.
- According to Taylor, even a small production activity like loading iron sheets into box cars can be scientifically planned. This will help in saving time as well as human energy. Decisions should be based on scientific enquiry with cause and effect relationship.
- This principle is concerned with selecting the best way of performing a job through the application of scientific analysis and not by assigned to any intuition or hit and trial methods.

**Harmony, Not Discord**

- Taylor emphasized that there should be complete harmony between the workers and the management since if there is any conflict between the two, it will not be beneficial either for the workers or the management.

- Both the management and the workers should realize the importance of each other.
- It becomes possible by
  - a. sharing a part of surplus with workers
  - b. training of employees,
  - c. division of work
  - d. team spirit,
  - e. positive attitude
  - f. sense of discipline and
  - g. sincerity etc.
- Management should always be ready to share the gains of the company with the workers and the latter should provide their full cooperation and hard work for achieving organizational goals.

### **Mental Revolution**

- The technique of Mental Revolution involves a change in the attitude of workers and management towards each other. Both should realize the importance of each other and Both should work with full cooperation.
- Management as well as the workers should aim to increase the profits of the organization.
- Thus, mental revolution requires a complete change in the outlook of both management and workers.

### **Cooperation, Not Individualism**

- This principle is an extension of principle of 'Harmony, not discord' and lays stress on mutual cooperation between workers and the management.
- Cooperation, mutual confidence, sense of goodwill should prevail among both, managers as well as workers. Both 'Management' and 'workers' should realize the importance of each other.
- Workers should be allowed to take part in decision making process of the management.
- Management should always guide, encourage, and help the workers.

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

- To attain the efficiency steps should be taken from the process of selection of employees.
- Employees should be scientifically selected.
- The work assigned to each employee should suit his/her physical, mental and intellectual capabilities.
- Efficient employees produce more to earn more.
- This ultimately helps to attain efficiency and prosperity for both organization and the employees.

**4. Explain the principles of modern management.**

The Father of Modern Management is Mr. Henry Fayol. And according to him there are 14 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.

**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.

**4. Unity of Command:**

- ❖ Each subordinate should receive orders and be accountable to one and only one superior.

**5. Unity of Direction:**

- ❖ All related activities should be put under one group, there should be one plan of action for them, and they should be under the control of one manager.

**6. Subordination of Individual Interest to Mutual Interest:**

- ❖ The Management must put aside personal considerations and put company objectives firstly. Therefore the interests of goals of the organizations must prevail Over the personal interests of individuals.

## 7. Remuneration:

- ❖ Workers must be paid sufficiently as this is a chief motivation of employees and therefore greatly influences productivity.

## 8. The Degree of Centralization:

- ❖ The amount of power wielded with the central management depends on company size.

## 9. Line of Authority/Scalar Chain:

- This refers to the chain of superiors ranging from top management to the lowest rank.
- **Gang Plank** means convenience and urgency this plan can be cut short and this short plan is known as gang plank

## 10. Order:

- **Social order** ensures the fluid operation of a company through authoritative procedure,
- **Material order** ensures safety and efficiency in the workplace.
- Order should be acceptable and under the rules of the company.

## 11. Equity:

- ❖ Employees must be treated kindly and justice must be enacted to ensure a just workplace.

## 12. Stability of Tenure of Personnel:



- ❖ Stability of tenure of personnel is a principle stating that in order for an organization to run smoothly, personnel (especially managerial personnel) must not frequently enter and exit the organization.

**13. Initiative:**

- ❖ Using the initiative of employees can add strength and new ideas to an organization.

**14. Esprit de corps/Team Spirit:**

- ❖ This refers to the need of managers to ensure and develop morale in the workplace: individually and communally. Team spirit helps develop an atmosphere of mutual trust and understanding. Team spirit helps to finished the task on time.

**Interior Questions:**

**1. Write about the contribution of Drucker to management.**

- ❖ “Management is a multipurpose organ that manages a business and manages manager, and manages worker and work.” – Peter F. Drucker.
- ❖ According to Peter Drucker, the manager has to balance and integrate three major jobs of a business enterprise such as
  - Managing a business
  - Managing manager, and
  - Managing workers and work.



- ❖ Hence, a manager is a dynamic and life giving element in every business. Without efficient management it cannot be secure the best allocation and utilization of human, material and financial resource.

## 2. Discuss the implications of span of management.

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

The Span of Management has two implications:

### 1. Influences the complexities of the individual manager's job.

### 2. Determine the shape or configuration of the Organisation.

- ✓ The span of Management is related to the horizontal levels of the organization structure. **With the wider span**, there will be less hierarchical levels, and thus, the organizational structure would be flatter.
- ✓ Whereas, **with the narrow span**, the hierarchical levels increases, hence the organizational structure would be tall.
- ✓ Both these organizational structures have their advantages and the disadvantages. But however the tall organizational structure imposes more challenges.
- ✓ Since the span is narrow, which means less number of subordinates under one superior, requires more managers

to be employed in the organization. Thus, it would be very expensive in terms of the salaries to be paid.

- ✓ With more levels in the hierarchy, the communication suffers drastically, It takes a lot of time to reach the appropriate points, and hence the actions get delayed.
- ✓ Lack of coordination and control because the operating staff is far away from the top management.

## **Unit-1 MANAGEMENT PROCESS**

### **Lesson -2 FUNCTIONS OF MANAGEMENT**

#### **I. Choose the correct answer: (1 marks)**

1. Which is the primary function of management?  
a. Innovating b. Controlling **c. Planning** d. Decision-making.
2. Which of the following is not a main function?  
**a. Decision-making** b. Planning c. Organising d. Staffing
3. ----- is included in every managerial function.  
a. **Co-ordinating** b. Controlling c. Staffing d. Organising.
4. Which of the following is verification function?  
A. Planning b. Organising c. Staffing **d. Controlling.**

#### **Interior questions:**

1. Management functions are called as **MANAGERIAL PROCESS.**
2. Nothing can be performed without **PLANNING.**
3. Consumers are satisfied through **INNOVATION.**
4. Co-ordination means **SYNCHRONIZING ACTIVITIES.**
5. Coordinating people and human resources to accomplish organizational goals is the process of **LEADERSHIP.**
6. Supervisory management spends most of his/her time **DIRECTING AND CONTROLLING.**
7. Empowerment is related to **DIRECTING.**

8. Strategic planning is done by **TOP MANAGERS OF THE FIRM.**
9. Specific, short-term statements detailing how to achieve an organizations goals is known as its **OBJECTIVES.**
10. Functions of management can be classified into **TWO** categories.
11. **ORGANISING** is the process of establishing harmonious relationship among the members of an organization.
12. **STAFFING** refers to placement of right persons in the right jobs.
13. **CO-ORDINATION** is included in every managerial functions.
14. The goals are achieved with the help of **MOTIVATION.**
15. **DECISION-MAKING** helps in the smooth functioning of an organization.
16. **COMMUNICATION** is the transmission of human thoughts, views or opinions from one person to another person.
17. **COMMUNICATION** helps the regulation of job and co-ordinates the activities.

## II. Very Short Answer Questions: (2 marks)

### 1. Write a short note about Planning.

Planning is the primary function of management. Nothing can be performed without Planning. For e.g., Write a book starts with Planning. In short, Planning refers to deciding in advance.

### 2. What is meant by Motivation?

The goals are achieved with the help of motivation. Motivation includes increasing for speed of performance of a work and develops willingness on the part of workers. This is done by a resourceful leader.

### **3. What is meant by Controlling?**

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

### **4. List out the subsidiary functions of management.**

#### **Subsidiary Functions**



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

### **5. What is the Traditional proverb used in Planning?**

“Think before you act”, “Look before you Leap” is the traditional proverb, which refers to the management function of planning. Planning refers to deciding in advance.

### **Interior Questions:**

#### **1. How can you classify the managerial functions?**

Managerial functions are:

- Time specific
- Institutional specific and
- Country specific.

#### **2. What are the managerial functions included in co-ordination?**

- Planning and co-ordination
- Organising and co-ordination
- Staffing and co-ordination
- Directing and co-ordination
- Motivation and co-ordination
- Controlling and co-ordination.

#### **3. ‘Planning is done for achieving the organizational goals’. Do you agree?**

**Give one reason to support your answer.**

Yes, Planning involves setting of objectives and determining the most economical and viable alternative to achieve the goals.

**4. Is directing necessary at planning stage? Give reason in support of your answer.**

No, directing is not necessary at planning stage, it is necessary at execution/operational stage.

**5. “Passing the buck, the buck stops here”-Explain it.**

To shift or reassign the blame or responsibility (for something) to another person, group, or thing.

### **III. Short Answer Questions: (3 marks)**

**1. List out the main functions of management.**

#### **Main Functions**



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

**2. State the importance of staffing.**



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

### **3. What is meant by Innovation?**

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

### **4. What is meant by Co-ordination?**

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

### **Interior questions**

#### **1. 'Controlling is Systematic Process involving a series of steps'.**

**Do you agree? Discuss it briefly.**



Yes, controlling is a systematic process which involves following steps:

- Setting performance standards
- Measurement of actual performance
- Comparing actual performance with standards
- Analysing deviations
- Taking corrective action.

**2. Write a shorts on the motivators of generation z workers.**

- Flexible schedule
- Skip annual performance review
- Embrace tech centered work place
- Plan for in-person intraction
- Expect to provide more structure and direction
- Re-evaluate formal education
- Have a plan for professional growth
- Set clear expectations
- Make them feel valued
- Be transparent.

**3. State the importance of Motivation.**

The goals are achieved with the help of motivation. Motivation includes increasing for speed of performance of a work and develops willingness on the part of workers. This is done by a resourceful leader. The work expect, favourable climate conditions

to work, fair treatment, monetary or no-monetary incentive, effective communication and gentleman approach.

**4. What are the main duties of a manager?**

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

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

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

**IV. Long Answer Questions: (5 marks)**

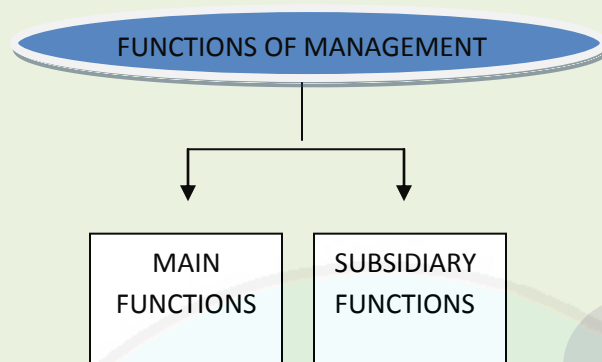
**1. Explain the various functions of management.**

Management functions are called as **Managerial Process**. Functions of management can be classified into two categories, they are

**A. Main function /Managerial function and**

**B. Subsidiary functions.**

All functions of management are briefly discussed below:



## I. Main Functions



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

### ❖ Planning

Planning is the primary function of management. Nothing can be performed without Planning. For e.g., Write a book starts with Planning. In short, Planning refers to deciding in advance.

### ❖ Organising

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

❖ **Staffing**

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

❖ **Directing**

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

❖ **Controlling**

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

❖ **Co-ordination**

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

### ❖ **Motivating**

The goals are achieved with the help of motivation. Motivation includes increasing for speed of performance of a work and develops willingness on the part of workers. This is done by a resourceful leader.

## II. **Subsidiary Functions**



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

### ❖ **Innovation**

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

includes developing new materials, new products, new techniques, in production, new package, new design of a product and cost reduction.

❖ **Representation**

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

❖ **Decision-making**

Every employee of an organization has to take a number of decisions every day.

❖ **Communication**

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

## Unit-I

### **LESSION -3 MANAGEMENT BY OBJECTIVES (MBO)**

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

#### **I. Choose the Correct Answers: (1 marks)**

1. ----- System gives full scope to the Individual Strength and Responsibility.  
a. **MBO**   b. MBE   c. MBM   d. MBA
2. Which is the First step in Process of MBO?  
a. Fixing Key Result Area                      b. Appraisal of Activities  
c. Matching Resources with Activities  
**d. Defining Organisational Objectives.**
3. ----- keeps Management Alert to Opportunities and Threats by Identifying Critical Problems.  
a. MBA            **b. MBE**            c. MBM            d. MBO
4. Delegation of Authority is Easily Done with the help of -----  
a. MBM            b. MBE            **c. MBO**            d. MBA

#### **Interior Questions:**

1. **MBO** harmonises the goal of an individual with the organisation's goal.
2. **KRA** are fixed on the basis of organizational objectives premises.
3. **KRA** indicates the strength of an organization.



4. **SUBORDINATES** are induced to set standards themselves by giving an opportunity.
5. **SUPERIOR** should take corrective action.
6. An **ORGANISATION** is a part of the dynamic world.
7. **MBO** provides a foundation for participative management.
8. **DELEGATION OF AUTHORITY** is easily done with the help of MBO.
9. **DECISION** is taken by the management very quickly.
10. **MBO** is a time consuming process.
11. **MBE** has both a general business application and a business intelligence application.
12. **MBE** focuses managerial attention on major problems.
13. **MBE** can avoid uniformed and impulsive action.
14. **MANAGEMENT BY OBJECTIVES** is also known as management by result.
15. Objectives are the **END POINT** of management action.

## **II. Very Short Answer Questions: (2 marks)**

### **1. Define MBO.**

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

### **2. What are the objectives of MBO?**



- To measure and judge performance.
- To relate individual performance to organizational goals.
- To stimulate the subordinates motivation.
- To serve as a device for organizational control and integration.

### **3. Bring out the meaning of MBE.**

Management exception 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.
- Systematic evaluation of performance is made with the help of MBO.

### **5. What is known as KRA?**

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

### **Interior Questions:**

#### **1. How are organizational objectives framed?**

Initially, organizational objectives are framed by the top level employees of an organization. Then it moves downwards.

- 2. The production manager establishes a quality control standards where in five defects are permissible for every 100 units. What is the management principle highlighted here?**

MBE

- 3. Who popularize MBO?**

George Odiorne.

- 4. What do you mean by MBO?**

MBO is a management system in which each member of the organization effectively each member of the organization effectively participates and involves himself. This system gives full scope to the individual strength and responsibility. MBO harmonises the goal of an individual with the organisation's goal.

### **III. Short Answer Questions:**

- 1. Write the features of MBO.(any 7 point)**

- An attempt is made by the management to integrate the goals of an organization and individuals. This will lead to effective management.
- MBO tries to combine the long run goals of organization with short run goals.

- Management tries to relate the organization goals with society goals.
- MBO's emphasis is not only on goals but also on effective performance.
- It pays constant attention to refining, modifying and improving the goals and changing the approaches to achieve the goals on the basis of experience.
- It increases the organizational capability of achieving goals at all levels.
- A high degree of motivation and satisfaction is available to employees through MBO.
- Recognises the participation of employees in goal setting process.
- Aims at replacing the exercise of authority with consultations.
- Encourages a climate of trust, goodwill and a will to perform.

## **2. What are the Process of MBE?**

- Primarily, it is necessary to set objectives or norms with predictable or estimated results.
- These performances are assessed and get equated to the actual performance.
- Next, the deviation gets analysed.

- With an insignificant or no action are required and senior managers can concentrate on other matters.
- If actual performances deviates significantly, the issue needs to be passed to the senior managers, as an “exception has occurred”. Finally, the aim is solve this “exception” immediately.

### **3. List out any three process of MBO.(study all the points)**

#### **▪ Defining Organisational Objectives**

Initially, organizational objectives are framed by the top level employees of an organization. Then it moves downwards.

First, long-term objectives are frames. Then, Short-term objectives are framed taking into account the feasibility of achieving the long term objectives.

#### **▪ Goals of Each Section**

Objectives for each section, department or division are framed on the basis of overall objectives of the organisation.

#### **▪ Fixing Key Result Areas**

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

#### **▪ Setting Subordinate Objectives or Targets**

The objectives of each subordinate or individual are fixed.

It is preferable to fix the objectives at lower level in quantitative units.

There should be a free and frank discussion between the superior and his subordinates. Subordinates are induced to set standards themselves by giving an opportunity. If subordinates are allowed to do so, they may set high standards and the chances of their accomplishment are higher. In this way, the objectives or targets of the subordinates are fixed.

- **Matching Resources with Objective**

The objectives are framed on the basis of availability of resources.

If certain resources (technical personnel or scarce raw material) are not adequately available, the objectives of an organization are changes accordingly.

- **Periodical Review Meetings**

The fixed standards may be changed in the light of progress. But the basic conditions do not change. The periodical review meeting is held during the period set for achieving the objectives.

- **Appraisal of Activities**

At the end of the fixed period for achieving the objectives, there should be a discussion between the superior and subordinates. The discussion is related with subordinates' performance against the specified standards. The superior should take corrective action.

### **Interior Questions:**

#### **1. What are the objectives of MBO?**

Management by objectives is intended primarily

- To measure and judge performance.
- To relate individual performance to organizational goals.
- To clarify both the job to be done and the expectations of accomplishment.
- To foster the increasing competence and growth of the subordinates.
- To serve as a basis for judgements about salary and promotion.
- To stimulate the subordinates motivation.
- To serve as a device for organizational control and integration.

#### **IV. Long Answer Questions: (5 marks)**

##### **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.
- MBO process helps the managers to understand their role in the total organization.
- Manager recognizes the need for planning and appreciates the planning.
- MBO provides a foundation for participative management. Subordinates are also involved in goal setting.
- A department does not work at cross purpose with another department.
- Systematic evaluation of performance is made with the help of MBO.
- MBO gives the criteria of performance. It helps to take corrective action.
- Delegation of authority is easily done with the help of MBO.
- MBO motivates the workers by job enrichment and makes the jobs meaningful.
- The responsibility of a worker is fixed through MBO.

## **2. What are the advantages of MBE?**

- ✓ It saves the time of managers because they deal only with exceptional matters. Routine problems are left to subordinates.



- ✓ It focuses managerial attention on major problems.
- ✓ It facilitates delegation of authority. Top management concentrates on strategic decisions and operational decisions are left to the lower levels. There is increase in span of control. This leads to motivation and development of subordinates.
- ✓ It is a technique of separating important information from unimportant one. It forces managers to review past history and study related business data for identifying deviations. There is better use of knowledge of trends, history and available business data.
- ✓ 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 participant can benefit by MBO?
- ✚ MBO is a time consuming process. Much time is needed by senior people for framing the MBO. Next, it leads to heavy expenditure and also requires heavy paper work.
- ✚ 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.
- Furthermore, it takes time to pass the issues to managers. Managing employees who deviate from the normal procedures. Because of compliance failure are considered difficult to manage and typically find themselves with limited job duties and ultimately dismissed/terminated.

## Unit-II FINANCIAL MARKETS - I

### LESSION - 4 INTRODUCTION TO FINANCIAL MARKETS

#### I. Choose the Correct Answers: (1 marks)

1. Financial market facilitates business firms
  - a. **To rise funds**
  - b. To recruit workers
  - c. To make more sales
  - d. To minimize fund requirement
2. Capital market is a market for
  - a. Short Term Finance
  - b. Medium Term Finance
  - c. **Long Term Finance**
  - d. Both Short Term and Medium Term Finance.
3. Primary market is also called as
  - a. Secondary market
  - b. Money market
  - c. **New Issue Market**
  - d. Indirect Market.
4. Spot Market is a market is a market where the delivery of the financial instrument and payment of cash occurs
  - a. **Immediately**
  - b. In the future
  - c. Uncertain
  - d. After one month
5. How many times a security can be sold in a secondary market?
  - a. Only one time
  - b. Two time
  - c. Three times
  - d. **Multiple times.**

#### Interior Questions:

1. Primary and secondary markets **COMPLEMENT EACH OTHER.**

2. Treasury Bill is basically **AN INSTRUMENT TO BORROW SHOR-TERM FUNDS.**
3. In primary markets, first time issued shares to be publicly traded, in stock markets is considered as **INITIAL PUBLIC OFFERING.**
4. In primary markets, property of shares which made it easy to sell newly issued security is considered as **INCREASED LIQUIDITY.**
5. Money market where debit and stocks are traded and maturity period is more than a year is classified as **CAPITAL MARKETS.**
6. Type of structured market through which funds flow with help of financial instruments such as bonds and stocks is classified as **FINANCIAL MARKETS.**
7. The first issues are floated in **PRIMARY MARKET.**
8. Type of market in which securities with less than one year maturity are traded, is classified as **MONEY MARKET.**
9. Process of selling and buying of stocks and bonds is classified as **E- TRADE.**
10. **FINANCIAL MARKET** is an institution or arrangement that facilitates the exchange of financial instruments.
11. **DEBT MARKET** is the financial market for trading in debt instrument that is government bonds or securities.

12. **MONEY MARKET** is the market for short term financial claim.
13. **CAPITAL MARKET** is the market for long term financial claim more than a year.
14. **SECONDARY MARKET** is the market for securities that are already issued.
15. **FLOW OF FUNDS** for productive purposes that the financial intermediaries cannot **BORROWERS** and **LENDERS** by transferring funds from one side to another.

## II. Very Short Answer Questions: (2 marks)

### 1. What are the components of organized sectors?

Organised sector consist of

- Regulators,
- Financial Institutions,
- Financial Markets and
- Financial Services.

### 2. Write a note on financial market.

- A market wherein financial instruments such as financial claims, assets and securities are traded is known as a 'financial market'.
- In another words, financial markets may be channels through which flow loanable funds directed from a supplier who has

an excess of assets toward a demander who experiences a deficit of funds.

### **3. What is Spot market?**

#### **Cash/spot Market:**

It is a market where the delivery of the financial instrument and payment of cash occurs immediately. Settlement is completed immediately.

### **4. What is debt market?**

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

### **5. How is price decided in a secondary market?**

- Financial markets allow for the determination of the price of the traded financial asset through the interaction of buyers and sellers.
- They provide a signal for the allocation of funds in the economy, based on the demand and supply, through the mechanism called **price discovery process**.

#### **Interior Questions:**

### **1. What is equity market?**

Equity market is the financial market for trading Equity shares of Companies.

### **2. What is money market?**



- Money market is the market for short term financial claim.
- E.g. Treasury Bills, Commercial Paper, Certificates of Deposit.

### **3. What do you mean by capital market?**

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

### **III. Short Answer Questions: (3 marks)**

#### **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'.
- In another words, financial markets may be channels through which flow loanable funds directed from a supplier who has an excess of assets toward a demander who experiences a deficit of funds.

##### **➤ 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.

Cash/spot market	Forward or Futures Market
It is a market where the delivery of the financial instrument and payment of cash occurs immediately.	It 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 in two or more installments.

## 3. Write a note on Secondary Market.

- It is the market for securities that are already issued. Stock Exchange is an important institution in the secondary market.
- It is otherwise known as Resale market.
- It covers both stock exchange and over the Counter Exchange.

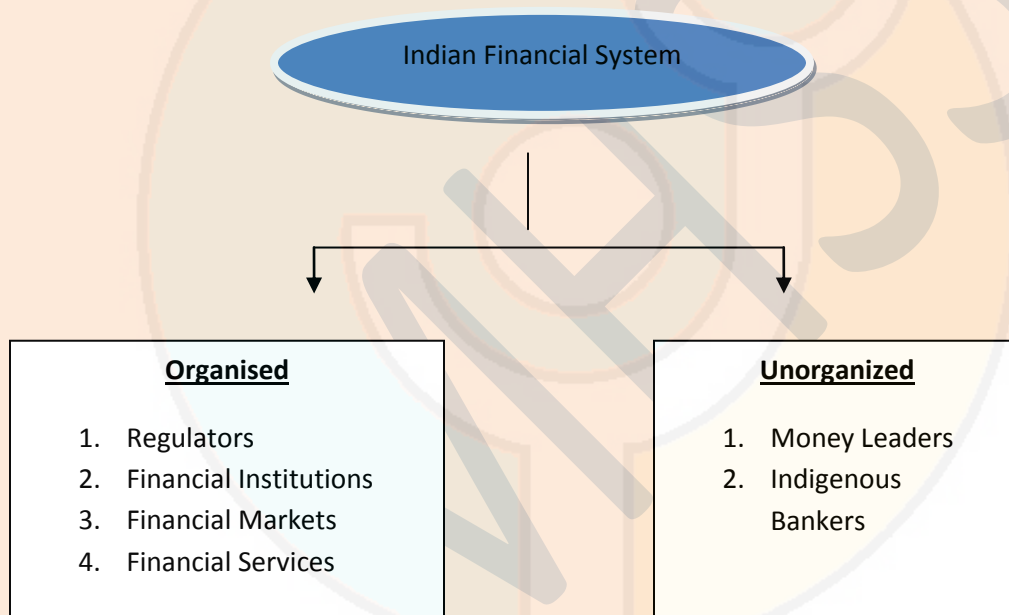
## 4. Bring out the scope of financial market in Indian.

- The financial market provides financial assistance to individuals, agricultural sectors, industrial sectors, service sectors, financial institutions like banks, insurance sectors, provident funds and the government as a whole.
- With the help of the financial market all the above stated individuals, institutions and the Government can get their required fund in time.

- Through the financial market the institutions get their required funds in time.
- Through the financial market the institutions get their short term as well as long term financial assistance.
- It leads to the overall economic development.

### **Interior question:**

#### **1. Explain the Classification of Indian Financial System.**



### **IV. Long Answer Questions: (5 marks)**

#### **1. Distinguish between new issue market and secondary market.**

<b>BASIS FOR COMPARISON</b>	<b>NEW ISSUE MARKET</b>	<b>SECONDARY MARKET</b>
Meaning	The market place for new shares is called primary	The place where formerly issued securities are traded

	market (Initial Issues Market)	is known as secondary market. (Resale market )
Buying	Direct	Indirect
Financing	It supplies funds to budding enterprises and also to existing companies for expansion and diversification.	It does not provide funding to companies
How can securities be sold?	Only once	Multiple times
Buying and selling between	Company and investors	Investors
Gained person	Company	Investors
Intermediary	Underwriters	Brokers
Price	Fixed prise	Fluctuates, depends on the demand and supply force
Organizational difference	Not rooted to any specific spot or geographical locations	It has physical existence

## 2. Enumerate the different kinds of financial markets.

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

### a. On the Baiss of Type of Financial Claim

#### ❖ Debt Market

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

❖ **Equity market**

Equity market is the financial market for trading Equity shares of Companies.

**b. On the Basis of Maturity of Financial Claim:**

❖ **Money Market:**

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

❖ **Capital Market:**

- It 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:**

❖ **Primary Market:**

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

❖ **Secondary Market:**

It 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**

❖ **Cash/spot Market:**

It is a market where the delivery of the financial instrument and payment of cash occurs immediately. Settlement is completed immediately.

❖ **Forward or Futures Market:**

It 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 Organisational Structure of the Financial Market:**

❖ **Exchange Traded Market:**

It is a centralized organization (stock exchange) with standardized procedures.

❖ **Over-the-Counter Market:**

It is a decentralized market (outside the stock exchange) with customized procedures.

**3. Discuss the role of financial market.**

One of the important requisites for the accelerated development of an economy is the existence of a dynamic and a resilient financial

market. A financial market is of great use for a country as it helps the economy in the following manner:

❖ **Savings Mobilization:**

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

❖ **Investment:**

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

❖ **National Growth :**

Financial markets contribute to a nation's growth by ensuring an unfettered flow of surplus funds to deficit units.

❖ **Entrepreneurship Growth:**

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

❖ **Industrial Development:**

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

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

#### **4. What are the functions of Financial Markets?**

A financial market renders the following functions:

##### **a. Intermediary Functions:**

The intermediary functions of a financial market include the following:

##### **❖ Transfer of Resources:**

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

##### **❖ 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.

##### **❖ Productive Usage:**

Financial markets allow for the production use of the funds borrowed and thus enhancing the income and the gross national production.

##### **❖ Capital Formation:**

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

##### **❖ Price Determination:**



Financial markets allow for the determination of the price of the traded financial asset through the interaction of buyers and sellers.

They provide a signal for the allocation of funds in the economy, based on the demand and supply, through the mechanism called **price discovery process**.

❖ **Sale Mechanism:**

Financial market provides a mechanism for selling of a financial asset by an investor so as to offer the benefits of marketability and liquidity of such assets.

❖ **Information:**

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

**b. Financial Functions:**

The financial functions of financial market include the following;

- ❖ Proving the borrowers with funds so as to enable them to carry out their investment plans.
- ❖ Providing the lenders with earning assets so as to enable them to earn wealth by deploying the assets in productive ventures.

- ❖ Providing liquidity in the market so as to facilitate trading of funds.

### **Interior Question:**

#### **1. Discuss the various types of Financial Assets.**

##### **Meaning:**

A Financial asset is one which is used for production or consumption or for further creation of assets.

##### **Classification:**

Financial assets can be classified differently under different circumstances. One such classification is:

- ❖ Marketable assets
- ❖ Non-marketable assets

##### **a. Marketable assets :**

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

##### **b. Non-Marketable Assets:**

- ❖ On the other hand, if the assets cannot be transferred easily, they come under this category.
- ❖ Example: Bank Deposits, Provident Funds, Pension Funds, National Savings Certificates, Insurance Policies etc. This classification is shown in the following chart.

## UNIT- II

### LESSON -5 CAPITAL MARKET

#### **I. Choose the correct answer: (1 marks)**

1. Capital market do not provide
  - a. Short term Funds
  - b. Debenture Funds
  - c. Equity Funds
  - d. Long term Funds.**
2. When the NSEI was established
  - a. 1990
  - b. 1992**
  - c. 1998
  - d. 1997
3. Primary market is a Market where securities are traded is the
  - a. First Time**
  - b. Second Time
  - c. Three time
  - d. Several Times
4. Participants in the capital market includes
  - a. Individuals
  - b. Corporate
  - c. Financial Institutions
  - d. All of the above**

#### **Interior Questions:**

1. **CAPITAL MARKET** forms an important core of a country's financial system.
2. Capital market offers an ideal source of **EXTERNAL** finance.
3. Capital market is called **SECURITIES** market.
4. Capital market provides a transaction platform for **LONG** term financial assets.
5. Capital market is divided into **TWO** categories.

6. **PRIMARY** market is a market for new issues or new financial claims.
7. **PRIVATE PLACEMENT** is a way of selling securities privately to a small group of investors.
8. **HARD** commodities are raw materials typically mined.
9. **SOFT COMMODITIES** are typically grown agricultural primary products such as wheat and sugar.
10. A best efforts offering is a sometimes used in connection with a **PUBLIC ISSUE** of new, long-term securities.
11. Financial intermediaries **INCULDE INSURANCE COMPANIES AND PENSION FUNDS.**
12. Capital markets provide funds for projects in **BACKWARD** areas.
13. Stock exchange **ENCOURAGE** speculation in shares.
14. Primary market is concerned with **ISSUE OF NEW SHARES.**
15. Secondary market deals with **RESALE OF SECURITIES** traded in primary market.
16. Second hand securities are traded in **SECONDARY MARKET.**

## **II. Very Short Answer Questions: (2 marks)**

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.**

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

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

## **4. Who are the Participants in a Capital Market?**

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

### **5. How is price determined in a Capital Market?**

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

### **Interior Questions:**

#### **1. What are 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.

#### **2. Define Capital Market.**

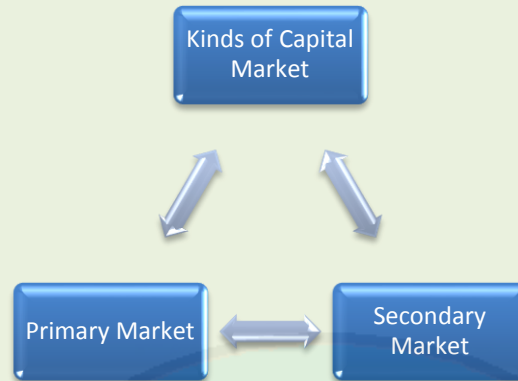
According to Arun K.Datta, capital market may be defined as “ a complex of institutions investment and practices with established links between the demand for and supply of different types of capital gains”.

#### **3. What is Public Issue?**

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

### **III. Short Answer Questions: (3 marks)**

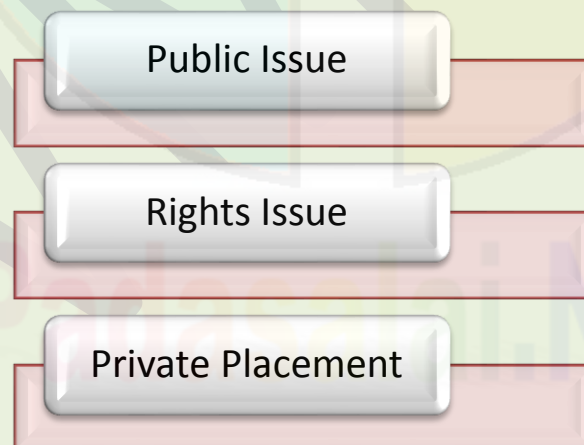
#### **1. What are the various kinds of Capital Market? Explain.**



### ❖ **Primary Market:**

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

- There are three ways by which a company may raise capital in a primary market. They are:



- **Public Issue:**



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

- **Rights Issue:**

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

- **Private Placement:**

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

- ❖ **Secondary Market:**

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

## **2. Explain any two functions of Capital Market.**

- **Savings and Capital Formation:**

In capital market, various types of securities help to mobilize savings from various sectors of population (Individuals, Corporate, Govt., etc.)

- **Permanent Capital:**

The existence of a capital market/stock exchange enables companies to raise permanent capital. The stock exchange offering an opportunity to investors to buy or sell their securities, while permanent capital with the company remains unaffected.

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

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

➤ **National Trade Comparison and Reporting System:**

In which prescribes the terms and conditions of contract for the securities market.

➤ **National Clearing System:**

In which aims to determining the net cash and stock liability of each broker on a settlement date.

➤ **National Depository System:**

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

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

- The period between 1947 and 1973 marked the development of infrastructure for capital market. During this period, a network of development financial institutions such as IFCI, ICICI, IDBI and UTI, SFCs and SIDCs were established. These financial institutions strengthened the capital market.
- During the period between 1980 and 1992, debenture emerged as a powerful instrument of resource mobilization in the primary market. The public sector bonds were introduced. A number of stock exchanges came into existence. There was a momentous growth in the secondary market.
- SEBI emerged as an effective regulatory body for the primary and secondary markets and afford a measure of protection to small investors.
- A number of committees were constituted in order to suggest measures to revamp and restructure the working of the secondary market and cause buoyancy in the primary market.
- A study Group for Guidelines Relating to valuation and New Instruments, A High Powered Study Group on Establishment of New Stock Exchange, A Committee on Trading in Public Sector Bonds and Units of Mutual Funds.

## **5. Explain about Factoring and Venture Capital Institutions.**

### **❖ Venture Fund Institutions:**

- Venture capital financing is a form of equity financing designed especially for funding new and innovative project ideas.
- Venture capital funds bring into force the hi-technology projects which are converted into commercial production.
- They include Risk Capital Foundation of IFCI, Venture Fund of IDBI, SIDBI, Technology Development and Infrastructure Corporation of India (TDICI), and others.

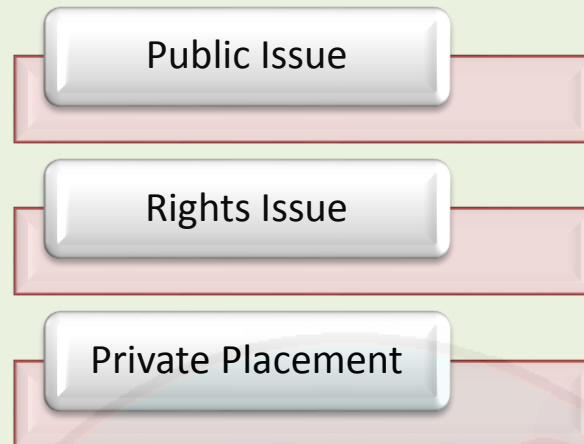
❖ **Factoring Institutions:**

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

**Interior Questions:**

**1. How new issues are floated in the primary market?**

There are three ways by which a company may raise capital in a primary market. They are:



❖ **Public Issue:**

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

❖ **Rights Issue:**

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

❖ **Private Placement:**

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

**2. Explain commodity market.**

A commodity market is a place where buyers and seller can trade any homogenous good in bulk. Commodities are commonly classified into two subgroups.

✓ **Hard Commodities:**

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

✓ **Soft Commodities:**

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

**3. Write a note on Gilt-Edged market.**

Gilt-Edged Market also known as Government Securities market is the market for Government and semi- Government securities. An important feature of the securities traded in this market. That they are stable in value and are much sought after by banks.

- ✓ Guaranteed return on investments
- ✓ No speculation in securities
- ✓ Institutional based investors which are compelled by law to invest a portion of their funds in these securities.
- ✓ Predominated by such institutions as LIC, GIC, PFs and the commercial banks.

**4. Write a short note on Derivatives Market.**

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

**IV. Long Answer Questions: (5 marks)**



## **1. Discuss the characters of a Capital Market.**

The following are the nature/characteristics of a capital market:

### **❖ Securities Market:**

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

### **❖ Price :**

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

### **❖ Participants :**

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

### **❖ Location:**

Capital market is not confined to certain specific locations, although it is true that parts of the market are concentrated in certain well-known centers known as Stock Exchanges.

### **❖ Market for Financial Assets:**

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

## **2. Briefly explain the functions of Capital Market.**

Capital market has a crucial significance to capital formation. For a speedy economic development adequate capital formation is



necessary. The significance of capital market in economic development is explained below:

❖ **Savings and Capital Formation:**

In capital market, various types of securities help to mobilize savings from various sectors of population (Individuals, Corporate, Govt., etc.)

❖ **Permanent Capital:**

The existence of a capital market/stock exchange enables companies to raise permanent capital. The stock exchange offering an opportunity to investors to buy or sell their securities, while permanent capital with the company remains unaffected.

❖ **Industrial Growth:**

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

❖ **Ready and Continuous Market:**

The stock exchange provides a central convenient place where buyers and sellers can easily purchase and sell securities.

❖ **Reliable Guide to Performance:**

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

❖ **Proper Channelization of Funds:**

The prevailing market price of a securities and relative yield are the guiding factors for the people to channelize their funds in a particular company.

❖ **Provision of Variety of Services:**

The financial institutions functioning in the capital market provide a variety of services such as grant of long term and medium term loans to entrepreneurs, provision of underwriting facilities, and assistance in promotion of companies, participation in equity capital giving expert advice etc.

❖ **Development of Backward Areas:**

Capital Markets provide funds for projects in backward areas.

This facilitates economic development of backward areas.

❖ **Easy Liquidity:**

With the help of secondary market investors can sell off their holdings and convert them into liquid cash.

**3. Explain the various types of New Financial Institutions.**

A number of institutions of finance have been established to cater to the credit requirements of various segments of industry and needs. A brief outline of these institutions is presented below:

- ✓ Venture Fund Institutions
- ✓ Mutual Funds
- ✓ Over the Counter Exchange of India
- ✓ National Stock Exchange of India Limited
- ✓ National Securities Depositories Limited
- ✓ Stock Holding Corporation of India Limited

❖ **Over the Counter Exchange of India (OTCEI):**

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

❖ **National Stock Exchange of India Limited(NSEI):**

NSEI was established in 1992 to function as a model stock exchange. The Exchange aims at providing the advantage of nationwide electronic screen based “scripless” and “floorless” trading system in securities.

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

The NSDL was set up in the year 1996 for achieving a time bound dematerialization as well as rematerialization of shares. The establishment of NSDL is expected to alleviate the problems of post trade transactions in the secondary market.

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

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

## UNIT – 2

### LESSON-6 MONEY MARKET

#### **I. Choose the Correct Answers: (1 marks)**

1. The money invested in the call money market provides high liquidity with-----
  - a. **Low Profitability**
  - b. High Profitability
  - c. Limited Profitability
  - d. Market Profitability
2. A major player in the money market is the-----
  - a. **Commercial Bank**
  - b. Reserve Bank of India
  - c. State Bank of India
  - d. Central Bank
3. Money market Provides-----
  - a. Medium-term Funds
  - b. **Short-term Funds**
  - c. Long-term Funds
  - d. Shares
4. Money Market Institutions are-----
  - a. Investment Houses
  - b. **Mortgage Banks**
  - c. Reserve Bank of India
  - d. **Commercial Banks and Discount Houses.**
5. Risk in the Money Market is-----
  - a. High
  - b. Market Risk
  - c. **Low Credit and Market Risk**
  - d. Medium Risk
6. Debt Instruments are issued by Corporate Houses are raising short-term financial resources from the money market are called-----

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- a. Treasury Bills    **b. Commercial Paper**    c. Certificate of Deposit    d. Government Securities.
7. The market for buying and selling of Commercial Bills of Exchange is known as a-----
- a. Commercial Paper Market    b. Treasury Bill Market    **c. Commercial Bill Market**    d. Capital Market
8. A marketable document of title to a time deposit for a specified period may be referred to as a-----
- a. Treasury Bill    **b. Certificate of Deposit**    c. Commercial Bill    d. Government Securities
9. Treasury Bills commands-----
- a. **High Liquidity**    b. Low Liquidity    c. Medium Liquidity    d. Limited Liquidity
10. Government Securities are issued by agencies such as-----
- 
- a. Central Government    b. State Governments    c. Semi-government Authorities    **d. All of the above**

### Interior Questions:

1. **MONEY** market is a market for purely short term funds.
2. **MONEY** market is not a single homogeneous market.
3. **COMMERCIAL BANKS** are the nerve centre of the whole money market.
4. **364** days Treasury Bills do not carry any fixed rate.

5. **COMMERCIAL BILL** is an instrument drawn by a seller of goods on a buyer of goods.
6. A **DEMAND BILL** is one wherein no specific time of payment is mentioned.
7. **CLEAN BILLS** are drawn without accompanying document.
8. **ACCOMMODATION** bills are those which don not arise out of genuine trade of transactions.
9. **GOVERNMENT SECURITIES** plays a significant role in the Indian 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 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.

### **3. What is Government Securities Market?**

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

### **4. What do you meant by Auctioning?**



A method of trading whereby merchants bid against one another and where the securities are sold to the highest bidder is known as 'auctioning'.

### **5. What do you meant by Switching?**

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

### **Interior Questions:**

#### **1. Explain the two oldest money markets.**

- **London Money Market** is the oldest, most developed and leading Money market in the world.
- **New York Money Market** is ranked as the second well-developed Money market in the World next only to the London Money Market.

#### **2. What is commercial bill market?**

The Commercial Bill is an instrument drawn by a seller of goods on a buyer of goods. 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 do you meant by Grooming Gradual?**

Acquisition of securities nearing maturity through the stock exchanges by the RBI in order to facilitate redemption is described as 'grooming'.

#### 4. What is mean by cut off rate?

- 364 days Treasury Bills do not carry any fixed rate.
- The discount rate on these bills are quoted in auction by the participants and accepted by the authorities. Such a rate is called **cut off rate**.

#### 5. Who are the issuers of certificate of deposits?

The issuers of certificate of deposits are Commercial banks, Financial Institutions, etc.

#### 6. Who are the subscribers of certificate of deposits?

The certificate of deposits are available for subscription by individuals, corporations, trusts, associations and NRIs.

### III. Short Answer Questions: (3 marks)

#### 1. What are the features of Treasury Bills?

##### Meaning:

Treasury bills are very popular and enjoy a higher degree of liquidity since they are issued by the Government. A Treasury bill is nothing but a promissory note issued for a specified period stated therein.

##### Features:

- Issuer
- Finance Bills
- Liquidity
- Vital Source

- Monetary Management

## **2. Who are the participants of Money Market?**

- They are many participants operating in the Money Market.
- Government of different countries
- Central Banks of different countries
- Private and Public Banks
- Mutual Funds Institutions
- Insurance Companies
- Non-Banking Financial Institutions
- RBI and SBI
- Commercial Banks
- State Governments
- Public.

## **3. Explain the types of Treasury Bills.**

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

### **❖ 91 days Treasury Bills**

### **❖ 182 days Treasury Bills**

### **❖ 364 days Treasury Bills**

- These are issued at a fixed discount rate of 4 per cent as well as through auctions.
- The RBI holds 91 days and 182 Treasury Bills and they are issued on tap basis throughout the week.

- 364 days Treasury Bills do not carry any fixed rate.
- The discount rate on these bills are quoted in auction by the participants and accepted by the authorities. Such a rate is called **cut off rate**.

#### **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?**

##### **Types:**

##### **➤ Demand Bills:**

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

##### **➤ 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

##### **➤ 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.

➤ **Indigeneous Bills:**

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

➤ **Accommodation Bills:**

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

**Interior Questions:**

**1. What are the objectives of Money Market?**

A well-developed money market serves the following objectives:

- Providing an equilibrium mechanism for ironing out short-trm surplus and deficits.
- Providing a focal point for central bank intervention for influencing liquidity in the company.
- Providing access in uses to users of short-term money to meet their requirements at a reasonable price.

**IV. Long Answer Questions: (5marks)**

**1. Explain the difference between Money and Capital Market.**

S.No.	Features	Money Market	Capital Market
1	Duration of funds	It is a market for short-terms loanable funds for a periods of not exceeding one year	It is market for long-terms funds exceeding period of one year
2	Deals with instruments	It deals with instruments like commercial bills of exchange ,treasury bill, commercial papers ,etc...	It deals with instruments like shares and government bonds etc.
3	Many value	Each single money market instrument is of large amount. Each certificate or commercial paper is for minimum of Rs 25lakhs.	Each single capital market instruments is of small amount. Each share value is Rs 10. Each debenture value is Rs 100
4	Role of major institutions	The central bank and commercial banks are the major institutions in the money market.	Development banks and insurance companies play a dominant role in the capital market.
5	Availability of instruments	Money market instruments generally do not have secondary market.	Capital market instruments generally have secondary market.
6	Sub- division	In money market	In capital market

		there is no such subdivision.	there is division primary and secondary market.
7	Place of transaction	Transactions mostly takes place over the phone and there is no formal place.	Transactions takes place at a formal place. e.g stock exchange
8	Risk	Low credit and market risk .	High credit and market risk.

## 2. Explain the characteristics of Money Market.

- **Short-term Funds:**

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

- **Maturity Period:**

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

- **Conversion of Cash:**

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

- **No Formal Place:**



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

- **Sub-markets:**

It comprises of several sub-markets each specializing in a particular type of financing. E.g., Call Money Market, Acceptance Market, Bill Market.

- **Role of Market:**

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

- **Highly Organized Banking System:**

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

- **Existence of Secondary Market:**

There should be an active secondary market for these instruments.

- **Demand and Supply of Funds:**

There should be a large demand and supply of short-term funds.

- **Wholesale Market:**

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

- **Flexibility:**

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

- **Presence of a Central Bank:**

The central bank keeps their cash reserves and provides them financial accommodation in difficulties by discounting their eligible securities. Through its open market operations the central bank absorbs surplus cash during off-seasons and provides additional liquidity in the busy seasons.

### **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. They were as follows:

- Treasury Bills in the Treasury Market
- Money at Call and Short Notice in the Call Loan Market.
- Commercial Bills and Promissory Notes in the Bill Market.

Now in addition to the above, the following new instruments come into existence:

- Commercial Papers
- Certificate of Deposits
- Inter-Bank participation Certificates
- Repo Instruments

Some of these are discussed below:

#### **Treasury bills:**

These are very popular and enjoy a higher degree of liquidity since they are issued by the Government. The Government promises to pay the specified amount mentioned therein to the bearer of the instrument on the due date.

### **Certificate of Deposits:**

Certificate of deposits are short-term deposit instruments issued by banks and financial institutions to raise large sums of money. Certificate of deposits are issued in the form of usance promissory notes. They are easily convertible and transferable.

### **Commercial bills:**

A bill of exchange issued by a commercial organization to raise money for short-term needs. These bills are of 30 days, 60 days and 90 days maturity. The commercial bill is an instrument drawn by a seller of goods on a buyer of goods.

### **Government or Gilt-Edged Securities:**

Government securities are issued for the purposes of refunding the maturing securities, for advance refunding securities, which have not yet matured and for cash financing i.e., raising fresh cash resources.

## **4. Explain the features and types of Commercial Bills.**

### **Meaning:**

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

**Features:**

The features of the Commercial Bills are as follows:

- Drawer
- Acceptor
- Payee
- Discounter
- Endorser
- Assessment
- Maturity
- Credit Rating

**Types:****➤ Demand Bills:**

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

**➤ 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

**➤ 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.

➤ **Indigeneous Bills:**

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

➤ **Accommodation Bills:**

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

**5. What are the features of Government Securities?**

**Meaning:**

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

**Characteristics/features:**

The characteristics of Government Securities are discussed below:

**Agencies:**

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

e.g. Municipalities, autonomous institution such as metropolitan authorities, port trusts etc.

**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.

**Nature of Securities:**

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

**Liquidity Profile:**

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

**Tax Rebate:**

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

**Market:**

As each sale and purchase has to be negotiated separately, the Gilt-Edged Market is an Over-The-Counter Market.

**Forms:**

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

**Participants:**

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

**Trading:**

Although the secondary market for Government securities is narrow; small and less active, banks and corporate holders who purchase and sell Government securities on the stock exchanges participate in trading.

**Issue Mechanism:**

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

**Issue opening:**

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

**Grooming Gradual:**

Acquisition of securities nearing maturity through the stock exchanges by the RBI in order to facilitate redemption is described as 'grooming'.

**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'.

**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'.

**Interior Questions:**

**1. How to Invest Money in Money Market Funds?**

- Understand the different types of Money Market Funds
- Understand the purpose of Money Market Funds
- Compare past yields
- Buying and Tracking of Money Market Funds

## **UNIT-III FINANCIAL MARKETS-II**

### **LESSON – 7 STOCK EXCHANGE**

#### **I. Choose the Correct Answer: (1 marks)**

1. ----- is the oldest stock exchange in the world.  
a. London Stock Exchange    b. Bombay Stock Exchange    c. National Stock Exchange    **d. Amsterdam Stock Exchange.**
2. There are ----- stock exchange in the country.  
a. 21    **b. 24**    c. 20    d. 25
3. Stock exchanges deal in-----  
a. Goods    b. Services    **c. Financial Securities**    d. Country's Currency
4. Stock exchange allow trading in  
a. All types of Shares of any company  
b. Bonds issued by the Govt.  
**c. Listed Securities**  
d. Unlisted Securities
5. Jobbers transact in a stock exchange  
a. For their clients    **b. For their Own Transactions**    c. For other Brokers    d. For other Members
6. A pessimistic speculator is  
a. Stag    **b. Bear**    c. Bull    d. Lame Duck
7. An optimistic speculator is  
a. **Bull**    b. Bear    c. Stag    d. Lame duck

8. A bull operator believes in
- a. **Increase in Prices**   b. Decrease in Prices   c. Stability in Prices  
d. No change in Prices
9. ----- means the price at which securities are bought and sold are recorded and made public.
- a. **Market Quotations**   b. Trade Quotations   c. Business Quotations   d. Buyers Quotations
10. The rules and regulations of Stock exchange is framed by ----- guide lines.
- a. RBI   b. Central Government   c. **SEBI**   d. BSE

### Interior Questions

1. Amsterdam Stock exchange was established in the year **1602**.
2. Securities are bought and sold are recorded and a made public is known as **MARKET QUOTATIONS**.
3. People like to invest in the shares of such companies which yield **GOOD PROFITS**.
4. Stock exchange requires recognition from the **CENTRAL GOVERNMENT**.
5. Stock exchange encourages **CAPITAL FORMATION**.
6. Jobbers are also called as **TARAVANIWALAS**.
7. The prices of different securities traded are shown on **ELECTRONIC BOARDS**.

8. **BROKERS** act as intermediaries between buyers and sellers of securities.
9. Tejiwala is an **OPTIMISTIC SPECULATOR**.
10. A bear is a **PESSIMISTIC SPECULATOR**.
11. National stock exchange was incorporated in **November, 1992**.
12. The normal trading time for equity market is **between 9.15 AM TO 3.30PM**.
13. The right to sell a security is called **PUT OPTION**.
14. The right to buy is called **CALL OPTION**.
15. Stock exchange allows trading in **LISTED SECURITIES**.
16. **STOCK EXCHANGE** is one of the important constituents of capital market.
17. **STOCK EXCHANGE** is an organized market for the purchase and sale of industrial and financial security.
18. **LONDON STOCK EXCHANGE** is the most popular stock exchange in the world.
19. **AMSTERDOM STOCK EXCHANGE** is considered as the oldest stock exchange in the world.
20. **SPECULATION** is an integral part of stock exchange operations.
21. Stock exchange regulates the **TRADE** activities.

22. **OUTSIDERS** are not allowed to enter in the trading circles of the stock exchange.
23. Stock exchange is an **ORGANISED** market.
24. **SCARCE** resources are thus diverted to efficiently run enterprises for better utilization.
25. The ISE has been promoted by **15** regional stock exchanges in the country and is based at Mumbai.
26. Brokers charge a **COMMISSION** from both the parties for their service.
27. **JOBBER**s cannot deal on behalf of public and are barred from taking commission.
28. **GAMBLING** does not perform economic function.
29. **BULL** is an operator who expects a rise in prices of securities in the future.
30. **BEAR** usually presses its victim down to ground.
31. A **STAG** is a cautious speculator in the stock exchange.
32. **NSE** is a country wide, screen based, online and order driven trading system.
33. **NSE** has revolutionized stock trading in India.
34. **SENSEX** is an index of the stock in BSE.
35. Options are a type of **DERIVATIVE** product.
36. **AUTHORISED CLEARERS** are the employees of the members of a stock exchange.

## **II. Very Short Answer Questions: (2 marks)**

### **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 Stock Market or Share Market.

### **2. Define Stock Exchange.**

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

### **3. Write any 5 Stock Exchanges in India.**

- The Bombay Stock Exchange
- Bangalore Stock Exchange Ltd.
- The Cochin Stock Exchange Ltd.
- The Coimbatore Stock Exchange Ltd.
- The Calcutta Stock Exchange Association Ltd.

### **4. What is meant by Remisier?**

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

### **5. Who is called a Broker?**

- Brokers are commission agents, who act as intermediaries between buyers and sellers of securities.
- They do not purchase or sell securities on their behalf.
- They bring together the buyers and sellers and help them in making a deal.
- Brokers charge a commission from both the parties for their service.
- Brokers experts in estimating trends of price and can effectively advice their clients in getting a fruitful gain.
- Brokers get orders from investing public and execute the orders through jobbers and they are entitled to a prescribed sale of brokerage.

## **6. What are the types of Speculator?**

Speculators in a stock market are of different types. They carry their names depending on their motive of trading in the stock exchange. They are named after animals as their behaviour could be compared best with the behavior of animals.

- **Bull or Tejiwala - Optimistic Speculator**
- **Bear or Mandiwala - Pessimistic Speculator**
- **Stag or Premium Hunter- Cautious Speculator**
- **Lame Duck**

## **7. Mention the Recent Development in Stock Exchange?**



National Stock Market System (NSMS) at present comprises the following:

- **National Stock Exchange of India Limited (NSE) - 1992**
- **Stock Holding Corporation of India Limited (SHCIL) -1988**
- **National Clearing Depository System (NCDS)**
- **Securities Trading Corporation of India (STCI) – 1994**
- **National Securities Depository Limited (NSDL) - 1996**

### **Interior questions:**

#### **1. What is the stock trading time in India?**

The timings of both BSE & NSE the normal trading times are:

- **For equity market:**

Between 9.15 a.m. to 3.30 p.m., Monday to Friday.

- **For commodity (MCX):**

Between 10 a.m to 11.30 am., Monday to Friday.

- **For Agricultural community (NCDEX):**

Between 10 a.m. to 5 p.m., Monday to Friday.

The stock market in India is closed on weekends i.e. Saturday.

The timings of the Indian stock market are divided into three sessions:

- Normal session ( also called continuous session)
- Pre-opening session
- Post-opening session

## 2. Explain Dalal Street.

- Dalal Street is an area in downtown Mumbai, India, that houses the Bombay Stock Exchange (BSE)- the largest stock exchange in India- and other reputable financial institutions.
- It received the name Dalal Street after the Bombay Stock Exchange moved to the area in 1874 and became the first stock exchange recognized by the Indian Government.
- The literal translation of Dalal **in Marathi is a broker or intermediary**. Today, Dalal street is a metonym for the entire Indian financial sector much like Wall Street in the United States.

## 3. What is meant by Commodity Exchange?

A commodity exchange is an exchange where commodities are traded. Tradable commodities fall into the following categories.

- **Metals (e.g. gold, silver, copper)**
- **Energy (e.g. crude oil, natural gas)**
- **Agricultural (e.g. rice, wheat, cocoa)**
- **Livestock and meat (e.g. live cattle, lean hog)**

## 4. What is Sensex?

- Sensex is an index of the stocks in BSE (Bombay Stock Exchange) Sensex has a list of 30 stocks.
- BSE decides the stocks that are to be listed on Sensex.

- Based on the above said factors, BSE regularly prepares a set of 30 stocks which will be together called as SENSEX.

### **III. Short Answer Questions: (3 marks)**

#### **1. What are the limitations of Stock exchange?**

The limitations of stock exchange are as follows:

- 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.
- Non-insistence of margin requirement in stock exchange or in the case of produce exchanges.
- No proper regulation of listing of securities on the stock exchange.

#### **2. Explain Bull and Bear.**

<b>Bull</b>	<b>BEAR</b>
A Bull or Tejiwala is an operator who expects a rise in prices of securities in the future.	A bear or Mandiwala speculator expects prices to fall in future and sells securities at present with a view to purchase them at lower prices in future.
In anticipation of price rise he makes purchases of shares at	A bear does not have securities at present but sells them at higher

present and other securities with the intention to sell at higher prices in future.	prices in anticipation that he will supply them by purchasing at lower 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.	A bear usually presses its victim down to ground. Similarly the bear speculator tends to force down the prices of securities.
He is an optimistic speculator.	A bear is a pessimistic speculator.

### 3. Explain Stag and Lame Duck.

<b>Stag</b>	<b>Lame Duck</b>
A stag is a cautious speculator in the stock exchange.	When a bear finds it difficult to fulfill his commitment, he is said to be struggling like a lame duck.
He applies for shares in new companies and expects to sell them at a premium, If he gets an allotment. He selects those companies whose shares are in more demand and are likely to carry a premium.	A bear speculator contracts to sell securities at a later date.
He sells the shares before being called to pay the allotment	On the appointed time he is not able to get the securities as the

money.	holders are not willing to part with them. In such situations, he feels concerned.
He is also called a premium hunter.	Moreover, the buyer is not willing to carry over the transaction.

#### 4. Explain National Stock Market System. (NSMS)

National Stock Market System (NSMS) 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:

- **National Stock Exchange of India Limited (NSE) - 1992**
- **Stock Holding Corporation of India Limited (SHCIL) -1988**
- **National Clearing Depository System (NCDS)**
- **Securities Trading Corporation of India (STCI) – 1994**
- **National Securities Depository Limited (NSDL) - 1996**

#### 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 through the country thereby connecting members scattered all over the India.

- Through computer network, member's orders for buying and selling within prescribed price are matched by central computer with each other and instantly communicate to the trading member.
- **NSE has two segments, i.e., Debt Segment and Capital segment.**
- It has ushered in transparent, screen based and user friendly trading of global standards.
- It has revolutionized stock trading in India.

### **INTERIOR QUESTIONS:**

#### **1. Explain the stock exchanges in India.**

- There are 24 stock exchange in the country, with 21 of them being regional in nature.
- Three others that have been set up in the reforms era, viz., National Stock Exchange, the over the counter Exchange of India Limited and Interconnected Stock Exchange of India Limited have mandate to nation wide trading network.
- The ISE has been promoted by 15 regional stock exchanges in the country and is based at Mumbai.
- The NSE, OTCEI, ISE and majority of the regional stock exchanges have adopted the screen Based Trading System to

provide automated and modern facilities for trading in a transparent, fair and open manner with access to investors across the country.

## 2. Write a short note on a. Jobbers b. Gambling.

### a. Jobbers:

- Jobbers are security merchants dealing in shares, debentures as independent operators.
- They buy and sell securities on their own behalf and try to earn through price changes.
- In India, they are called **Taravaniwalas**.

### b. Gambling:

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

## 3. What is NIFTY?

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



- Nifty consists of top 50 companies from 24 different sectors.
- Nifty is computed from the performance of top stocks from different sectors.
- Some mutual funds use Nifty as a benchmark. The performance of the mutual funds is assessed against the performance of the Nifty.

**4. Write short notes on a. Future market b. options market.**

**a. Future market:**

- A Future market is an auction market in which participants buy and sell commodity and futures contracts for delivery on a specified future date.
- Examples of futures markets are the New York Mercantile Exchange, the Kansas City Board of Trade, the Chicago Mercantile Exchange, the Chicago Board of Options Exchange and the Minneapolis Grain Exchange.

**b. Options market:**

- An 'option' is a type of security that can be bought or sold at a specified price within a specified period of time in exchange for a non-refundable upfront deposit.
- Options are a type of derivative product. The right to sell a security is called a 'Put Option', while the right to buy is called the 'Call Option'.

**IV. Long Answer Questions: (5 marks)**

## **1. Explain the functions of Stock Exchange. (any 5)**

The various functions of a stock exchange are explained below:

- Ready and Continuous Market
- Correct Evaluation of Securities
- Protection to Investors
- Proper Chanalisation of Capital
- Aid to Capital Formation
- Facilities for Speculation
- Seasoning of Securities
- Clearing House of Business Information

### **Ready and Continuous Market**

- Stock exchange is a market for existing securities.
- If an investor wants to sell his securities, he can easily and quickly dispose them off on a stock exchange.

### **Correct Evaluation of Securities**

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

### **Protection to Investors**

- All dealings in a stock exchange are in accordance with well-defined rules and regulations.

- For example, brokers cannot charge higher rate of commission for their services. Any malpractice will be severely punished.

### **Proper Chanalisation of Capital**

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

### **Aid to Capital Formation**

- The publicity which the stock exchange gives to various industrial securities and their prices.
- Stock exchanges thus ensures a steady flow of capital into industry and assists industrial development.

## **2. Explain the features of Stock Exchange. (any 5)**

These are various qualities of a Stock Exchange. Such qualities are enumerated below:

- **Market for Securities**
- **Deals in Second Hand Securities**
- **Regulates Trade in Securities**
- **Allows Dealings only in Listed Securities**
- **Transactions Effected only through Members**
- **Association of Persons**

- **Recognition from Central Government**
- **Working as per Rules**
- **Specific Location**
- **Financial Barometers**

### **Market for Securities**

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

### **Deals in Second Hand Securities**

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

### **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.

### **Allows Dealings only in Listed Securities**

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

### **Transactions Effected only through Members**

- All the transactions in securities at the stock exchange are affected only through its authorized brokers and members.
- Outsiders or direct investors are not allowed to enter in the trading circles of the stock exchange.

### **3. Explain the Benefits of Stock Exchange.**

The Benefits of Stock Exchange are classified into Benefits to the Community, Company and Investors.

#### **A. Benefits to the Community**

##### **Economic Development**

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

##### **Fund Raising Platform**

It enables the well-managed, profit-making companies to raise limitless funds by fresh issue of share from time to time.

##### **Tools to Divert Resources**

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

## **Capital Formation**

It encourages capital formation.

## **Fund Raiser for Government**

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

## **B. Benefits to the Company**

### **Enhances Goodwill or Reputation**

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

### **Wide Market**

There is a wide and ready market for such securities.

### **Raises huge funds**

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

### **Increases bargaining strength**

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

## **C. Benefits to Investors**

### **Liquidity**

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

### **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.

### **Investor protection**

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

### **Assessing real worth of security**

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

### **Mechanism to trade security**

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

## **4. Distinguish between Stock Exchange and Commodity Exchange.(any 5)**

<b>S.No.</b>	<b>Feature</b>	<b>Stock Exchange</b>	<b>Commodity Exchange</b>
1	Meaning	Stock exchange (also called stock market or share market) is one important constituent of capital market .	A commodity exchange is an exchange where commodities fall into the followings



		Stock Exchange is an organized market for the purchase and sale of industrial and financial security. It is a convenient place where trading in securities manner i.e. as per certain rules and regulations	categories. Metals (e.g. gold, silver, copper) Energy (e.g. crude oil , natural gas ) Agricultural (e.g. rice , wheat, cocoa) Livestock and meat (e.g. live cattle , lean hog)
2	Functions	Providing easy marketability	Offerings hedging or price insurance services and liquidity to securities.
3	Object	Objects is facilitating capital formation and market best use of capital resources	Objects is facilitating good 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	Instant cash dealings and a settlement

		account for a fortnight	period of 2 or 3 months for future market dealings
6	Articles traded	Industrial securities such as stocks and bonds and government securities.	Only durable , graded and goods having large volume of the trade , price uncertainty and uncontrolled supply
7	Speculation	Speculation ensures saleability of securities affording a board , ready , liquid and continuous market of securities.	Speculation ensures assumption and absorption of price risk.
8	Forward contract	Forward dealings are simplified as securities are fully standardized	Standards are to be fixed for deliverable grades to facilitate futures contract
9	Cornering	As seller has to deliver the agreed securities , cornering is easy	Cornering is difficult as the seller has option to deliver standard or other

			deliverable goods.
10	Price quotation	As regards forward dealings , only one quotation is possible	For future dealings , multiple quotations are possible.

### **Interior Questions:**

#### **1. 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 metres It has often been compared with Wall street in New York City.

##### **Wall Street:**

- Wall Street is a street in lower Manhattan that is the original Manhattan that is the original home of New York Stock Exchange

and the historic head quarters of the largest U.S. Brokerages and investment banks.

- The term Wall Street is also used as a collective name for the financial and investment community, which includes stock exchanges and large banks, brokerages, securities and underwriting firms, and big businesses.
- Today, brokerages are geographically diverse, allowing investors free access to the same information available to Wall Street's tycoons.

## **2. Briefly explain the important stock exchanges in the world.**

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

- **The New York Stock Exchange:**

Located in New York City; \$19.223 trillion in listed market capitalization.

- **NASDAQ:**

Short for the “National Association of Securities Dealers Automated Quotation”, this electronic stock exchange is located in New York City; \$6.831 trillion in listed market capitalization.

- **London Stock Exchange:**

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

- **Tokyo Stock Exchange:**

Formally known as the Japan Exchange Group, located in Tokyo, Japan; \$4.4485 trillion in listed market capitalization.

- **Hong Kong Stock Exchange:**

Located in Hong Kong, \$3.325 trillion in listed market capitalization.

- **Bombay Stock Exchange:**

Located in Mumbai, India: \$1.682 trillion in market capitalization.

### 3. Briefly explain the terms:

a. SHCIL

b. NCDS

c. STCI

d. NSDL

a. **Stock Holding Corporation of India Limited (SHCIL)**

- The SHCIL is committed to speed up trading, clearance and settlement services for securities and monetary instruments,
- SHCIL is the first depository participant registered with SEBI and acts as an agent of the National Securities Depository.

b. **National Clearance and Depository System (NCDS)**

- This system was created chiefly to help overcome the problem of settlement and clearance of transactions

consequent to enormous workload on the clearing agencies and share transfer agencies and share transfer agencies.

- The problems mainly arose out of systematic risk like counter party risk, credit risk, bad deliveries, long delayed delivery, counterfeit scrips, and forged scripts.

**c. Securities Trading Corporation of India (STCI)**

- The main objective of establishing the Corporation was to foster the development of an active secondary market for Government securities and bonds issued by public sector undertakings.
- It had an authorized and paid-up capital of Rs.500 crores of which, RBI contributed 50.18 percent.

**d. National Securities Depository Limited (NSDL)**

- NSDL was inaugurated as the first depository in India on November 8, 1996.
- Trading in dematerialized securities on the National Stock Exchange (NSE) commenced in December 26, 1996.

## UNIT- III FINANCIAL MARKETS –II

### LESSON -8 SECURITIES EXCHANGE BOARD OF INDIA (SEBI)

#### **I. Choose the Correct Answers: (1 marks)**

1. Securities Exchange Board of India was first established in the year-----  
A. 1998    **b. 1992**    c. 1995    d.1998
2. The headquarters of SEBI is -----  
a. Calcutta    **b. Bombay**    c. Chennai    d. Delhi
3. In which year SEBI was constituted as the regulator of capital markets in India?  
a. 1998    **b.1992**    c.2014    d.2013
4. Registering and controlling the functioning of collective investment scheme as-----  
a. **Mutual Funds**    b. Listing    c. Rematerialisation    d. Dematerialisation
5. SEBI is empowered by the Finance ministry to nominate----- members on the Governing body of every stock exchange.  
a. 5    **b. 3**    c.6    d.7
6. The process of converting physical shares into electronic form is called-----  
a. **Dematerialisation**    b. Delisting    c. Materialisation    d. Debarring



7. Trading in dematerialized shares commenced on the NSE is-----  
--  
a. January 1996      b. June 1998      c. **December 1996**      d.  
December 1998
8. -----was the first company to trade its shares in Demat form.  
a. Tata Industries      b. **Reliance Industries**      c. Infosys      d. Birla  
Industries
9. -----enable small investors to participate in the investment on  
share capital of large companies.  
a. **Mutual Funds**      b. Shares      c. Debentures      d. Fixed deposits
10. PAN stands for -----  
a. Permanent Amount Number      b. Primary Account  
Number      c. **Permanent Account Number**      d.  
Permanent Account Nominee.

### **Interior Questions:**

1. SEBI is an apex body that maintains and regulates our  
**CAPITAL MARKET.**
2. **MUMBAI** is the headquarters of the SEBI.
3. Trading in dematerialized shares commenced on the NSE in  
**DECEMBER 1996** and BSE in **DECEMBER 1997.**
4. **RELIANCE INDUSTRIES** was the first company to trade its  
100 shares in demats form.

5. Initially SEBI was a **NON STATUTORY BODY** without any statutory power.
6. SEBI was made an autonomous body by the Government of India on **13<sup>th</sup> MAY 1992** and given statutory power **in 1992** with **SEBI ACT 1992**.
7. Investors can lodge their complaints with SEBI at: **investorcomplaints@sebi.gov.in**.
8. Investors can approach SEBI for any assistance at: **[asksebi@sebi.gov.in](mailto:asksebi@sebi.gov.in)**.
9. A demat account can be opened with **NO BALANCE** of shares. It also **DOES NOT REQUIRE** that a minimum balance be maintained.
10. The service provider of demat account is called a **DEPOSITARY PARTICIPANT**.

## II. Very Short Answer Questions: (2 marks)

### 1. Write a short note on SEBI.

Securities and exchange board of India (SEBI) is an apex body that maintains and regulates our capital market. It was established in 1988 by Indian government but got the statutory powers in 1992. Well it plays a great role in Indian Economy such as it...

- Monitor's the working of mutual funds
- Restricts illegal practices of firms

- Regulates working of stock exchanges
- Conducts audit, inspection

## **2. Write any two objectives of SEBI.**

### **❖ Regulation of stock exchanges:**

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

### **❖ Protection to the Investors:**

The protection of the interests of investors means protecting them from the wrong information given by the companies in their prospectus, reducing the risk of delivery and payment, etc. Hence, the foremost objective of the SEBI is to provide security to the investors.

## **3. What is Demat account?**

A demat account holds all the shares that are purchased in electronic or dematerialized form. Basically a demat account is to shares what a bank account is to money.

## **4. Mention the headquarters of SEBI.**

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

## **5. What are the various ID proofs?**

PAN card, ID, passport, driver's license, bank attestation, IT returns, electricity bill, telephone bill, ID cards with applicant's photo issued by the central or state government and its departments, statutory or regulatory authorities, Public Sector Undertakings (PSUs), scheduled commercial banks, public financial institutions, colleges affiliated to universities, or professional bodies Such as ICAI, ICWAI, ICSI, Bar Council etc.

### **Interior Question:**

#### **1. Explain the role of SEBI in Indian Economy.**

Well it plays a great role in Indian Economy such as it...

- Monitor's the working of mutual funds
- Restricts illegal practices of firms
- Regulates working of stock exchanges
- Conducts audit, inspection.

#### **2. What are the key functions of SEBI?**

**SEBI performs three key functions:** quasi-legislative, quasi-judicial and quasi-executive.

### **III. Short Answer Questions: (3 marks)**

#### **1. What is meant by Dematerialization?**

- Dematerialization is the process by which physical share certificates of an investor are taken back by the

company/registrar and destroyed. Then an equivalent number of securities in the electronic form are credited to the investors account with his Depository Participant.

- Dematerialization is done at the request of the investor. Investors will first have to open an account with a DP (Depository Participant) and then request for dematerialization of certificates through the DP.

## **2. What are the documents required for Demat account?**

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

- **Proof of ID :**

PAN card, ID, passport, driver's license, bank attestation, IT returns, electricity bill, telephone bill, ID cards with applicant's photo issued by the central or state government and its departments, statutory or regulatory authorities, Public Sector Undertakings (PSUs), scheduled commercial banks, public financial institutions, colleges affiliated to universities, or professional bodies Such as ICAI, ICWAI, ICSI, Bar Council etc.

➤ **Proof of address :**

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

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

- For effective regulation of stock exchange, the Ministry of Finance issued a Notification on 13<sup>th</sup> 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?**

It means the buying and selling securities by directors, Promoters, etc. who have access to some confidential



information about the company and who wish to take advantage of this confidential information.

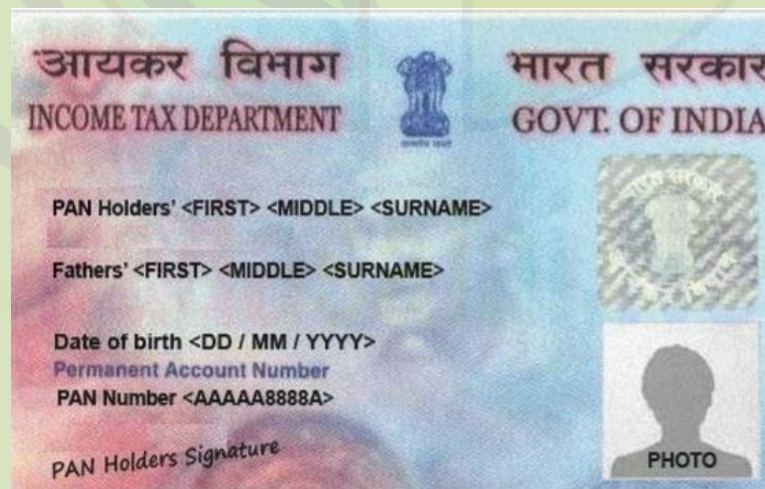
## 5. Draw the organization structure of SEBI.

### Organization Structure of SEBI



### Interior Question:

#### 1. Write a note on PAN.





Pan, or Permanent account number, is a unique 10-digit alphanumeric identity allotted to each taxpayer by the Income Tax Department under the supervision of the Central Board of Direct Taxes. It also serves as an identity proof.

## **2. What are the various address proof?**

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

## **3. Write a short note on Walk-in Service.**

- SEBI provides “walk-in” service at its head office at Mumbai and its regional offices at New Delhi, Chennai, Kolkatta and Ahmedabad on all working days. Investors can meet the officials and get guidance relating to the grievances that they may have against issuers. Investors can also meet the higher officials of SEBI on specified working days.

#### IV. Long Answer Questions: (5 marks)

##### 1. What are the functions of SEBI?

- Securities and Exchange Board of India frequently abbreviated SEBI is the nodal agency which safeguards the interests of an investor in the Indian Financial market.
- **SEBI performs three key functions:** quasi-legislative, quasi-judicial and quasi-executive. It drafts regulations. Conducts Investigation & enforcement action and it passes rulings and orders.
- ✚ Safeguarding the interests of investors by means of adequate education and guidance. It takes care of the complaints received from investors. Additionally, 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 creation regulations and rules.
- ✚ Conduct inspection and inquiries of stock exchanges, intermediaries and self-regulating organizations and to take appropriate measures wherever required.
- ✚ Barring insider trading in securities.

- ✚ Prohibiting deceptive and unfair methods used by financial intermediaries operating in securities markets.
- ✚ Registering and controlling the functioning of stock brokers, sub-brokers, share transfer agents, bankers, underwriters, portfolio managers, investment advisers and various other intermediaries who might be linked to securities markets in any manner.
- ✚ SEBI issues Guidelines and Instructions to businesses concerning capital issues.
- ✚ SEBI regulates mergers and acquisitions as a way to protect the interest of investors.
- ✚ Registering and controlling the functioning of collective investment schemes such as mutual funds.
- ✚ Promoting self-regulatory organization of intermediaries.
- ✚ Carrying out steps in order to develop the capital markets by having an accommodating approach.
- ✚ Provide appropriate training to financial intermediaries.
- ✚ Levying fee or any other type of charges to carry out the purpose of the Act.
- ✚ Performing functions that may be assigned to it by the Central Government of India.

## **2. Explain the powers of SEBI.**

The various powers of a Stock Exchange are explained below:

➤ **Powers Relating to Stock Exchanges & Intermediaries:**

It can ask information from the stock exchanges and intermediaries regarding their business transactions for inspection or scrutiny and other purpose.

➤ **Power to Impose Monetary Penalties:**

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

➤ **Power to Initiate Actions in Functions Assigned:**

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

➤ **Power to Regulate Insider Trading:**

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

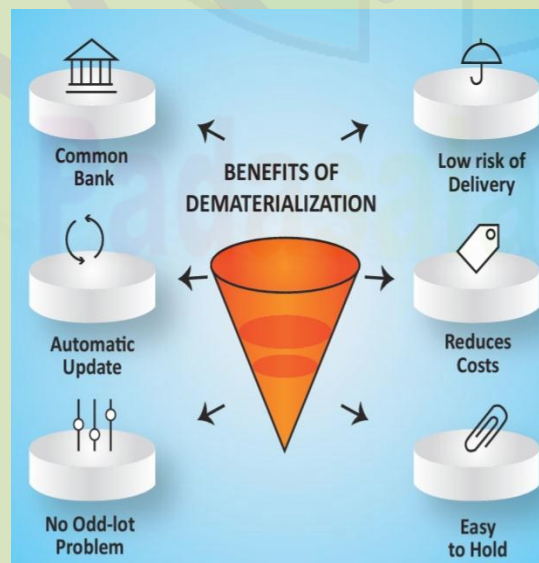
➤ **Powers under Securities Contract Act:**

- For effective regulation of stock exchange, the Ministry of Finance issued a Notification on 13<sup>th</sup> 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.

➤ **Power to Regulate Business of Stock Exchanges**

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

3. What are the benefits of Dematerialisation?



- 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.
- Certain banks also permit holding of both equity and debt securities in a single account.
- Banks also provide dedicated and trained customer care officers to assist through all the procedures.



- 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.
- One can also choose to take a loan against securities which are held in a DEMAT account by offering it as a collateral to the lender.

### **Interior Questions:**

#### **1. Explain about the Investors' Grievances Redressal.**

- SEBI and Stock Exchanges have set up investor grievance redressal cells for fast redressal of investor complaints relating to securities markets.
- SEBI has directed all the stock exchanges, registered brokers, sub-brokers, depositories and listed companies to make a provision for a special email ID of the grievance redressal division/ compliance officer for the purpose of registering complaints by the investors.
- SEBI has set up a mechanism for redressal of investor grievances arising from the issue process.
- SEBI provides “walk-in” service at its head office at Mumbai and its regional offices at New Delhi, Chennai, Kolkatta and Ahmedabad on all working days. Investors can meet the officials and get



guidance relating to the grievances that they may have against issuers. Investors can also meet the higher officials of SEBI on specified working days.

## **2. What are the objectives of SEBI?**

### **Regulation of stock exchanges:**

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

### **Protection to the Investors:**

The protection of the interests of investors means protecting them from the wrong information given by the companies in their prospectus, reducing the risk of delivery and payment, etc. Hence, the foremost objective of the SEBI is to provide security to the investors.

### **Checking the Insider Trading:**

It means the buying and selling securities by directors, Promoters, etc. who have access to some confidential information about the company and who wish to take advantage of this confidential information.

### **Control over Brokers:**

It is important to supervise/check the activities of the brokers and other middle men in order to control the capital market.

To regulate their activities, it was necessary to establish the SEBI.

### 3. How to open a Demat Account?



- Fill up an account opening form and submit along with copies of the required documents and a passport-sized photograph. You also need to have a PAN card. Also carry the original documents for verification.
- You will be provided with a copy of the rules and regulations, the terms of the agreement and the charges that you will incur.
- During the process an in-person Verification would be carried out, A member of the DP's staff would contact you to check the details provided in the account opening form.
- Once the application is processed, the DP will provide you with an account number or client ID. You can use the details to access your demat account online.

- As demat account holder, you would need to pay some fees like the annual maintenance fee levied for maintenance of account and the transaction fee levied for debiting securities to and from the account on a monthly basis. These fees differ from every service provider (called a Depository Participant or DP). While some DPs charge a flat fee per transaction, other peg the fee to the transaction value, and are subject to a minimum amount. The fee also differs based on the kind of transaction, (buying and selling). In addition to the other fee, the DP also charges a fee for converting the shares from the physical to the electronic form or vice-versa.
- A demat account can be opened with no balance of shares. It also does not require that a minimum balance be maintained.

## **UNIT –IV HUMAN RESOURCE MANAGEMENT**

### **LESSON-9 FUNDAMENTALS OF HUMAN RESOURCE MANAGEMENT**

#### **I. Choose the Correct Answers: (1 marks)**

1. Human resource is a ----- asset.  
a. Tangible     **b. Intangible**     c. Fixed     d. Current
2. Human Resource Management is both ----- and -----  
a. **Science and art**     b. Theory and practice     c. History and Geography  
d. None of the above.
3. Planning is a----- function.  
a. Selective     **b. pervasive**     c. both a and b     d. none of the above
4. Human resource management determines the ----- relationship.  
a. Internal, external     **b. employer, employee**     c. Owner, Servant  
d. Principle and Agent
5. Labour turnover is the rate at which employees ----- the organization.  
a. Enter     **b. leave**     c. Salary     d. None of the above.

#### **Interior Questions:**

1. The human resource is the most important element in any ORGANISATION.
2. Human resource can work as TEAM.

3. Human resource management has UNIVERSAL RELEVANCE.
4. Human resource management helps improve PRODUCTIVITY.
5. Human resource management refers to THE MANAGEMENT OF PEOPLE IN AN ORGANISATION.
6. Human resource management function does not involve COST CONTROL.
7. Human beings are SOCIAL ANIMALS.
8. To accomplish personal and organizational objectives the unique asset called HUMAN RESOURCE.
9. Human resources are MOVABLE.

## **II. Very Short Answer Questions: (2 marks)**

### **1. Give the meaning of Human Resource.**

- All human beings are not considered to be human resources but only those individuals who acquired the required skill sets, talents, knowledge, competencies and capabilities in the accomplishment of both individual and organizational objectives.
- In order to accomplish personal and organizational objectives the unique asset called human resource has to be appropriately placed and appreciated.

### **2. What is Human Resource Management?**

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

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

### **3. State two features of HRM.**

- **Universally relevant:**

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

- **Goal Oriented:**

The accomplishment of organizational goals is made possible through best utilization of human resource in an organization.

### **4. Mention two characteristics of Human Resource.**

- Human resource is the only factor of production that lives.
- Human resources are movable.

### **5. What are the managerial functions of HRM.**

➤ **Main function:**

- Planning, Organising, Directing, Controlling.

### **Interior Questions:**

#### **1. Define Human Resource.**

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

#### **2. HRM is an interdisciplinary?**



Human resource management makes use of concepts of different disciplines like sociology, psychology, economics etc. making it interdisciplinary.

### **3. Explain the strategic role of HRM?**

The strategic role of HRM is the process of acquiring, training, appraising, and compensating employees, and attending to their labour relation, health, safety and fairness concerns.

### **III. Short Answer Questions: (3 marks)**

#### **1. Define the term Human Resource Management.**

- **According to Dale Yoder** Human Resource Management as “the effective process of planning and directing the application, development and utilization of human resources in employment”.
- **In the words of E.F.L.** “HRM as that part of management process which is primarily concerned with the human constituents of an organization”.

#### **2. What are the features/characteristics of Human resources?**

The unique, peculiar and distinctive features of human resources are as under:

- Human resource is the only factor of production that lives.
- Human resource created all other resource.
- Human resource exhibits innovation and creativity.
- Human resource alone can think, act, analyse and interpret.



- Human resources are emotional beings.
- Human resources are movable.
- Human resource can work as a team.

### **3. What is the importance/significance of Human resource? ( any 6points)**

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

- 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.
- A human relation is possible only through human resource.
- Human resource manages all other factors of production.
- The skill sets of the Human resources can be improved through training and development programmes.
- Human resource can be utilized at all levels of management.
- Human resources are well protected by legislative frameworks.

### **4. State the functions of Human Resource Management.**

The functions of human resource management may be classified as under:

- **Main function:**

- Planning, Organising, Directing, Controlling.

➤ **Operative function:**

- Procurement, Development, Compensation, Retention, Integration, Maintenance.

**IV. Long Answer Questions: ( 5 marks)**

**1. Explain the unique features/characteristics of Human Resource.**

( any 5points)

The unique, peculiar and distinctive features of human resources are as under:



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

- Human resources are emotional beings.
- Human resources can be motivated either financially or non financially.
- The behaviour of human resources are unpredictable.
- Over years human resources gains value and appreciates.
- Human resources are movable.
- Human resource can work as a team.

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

**( any 5)**

There are various reasons why human resource management is important. They are as follows:



❖ **To identify manpower needs:**

The number of men required are to be identified accurately to optimize the cost.

❖ **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.

❖ **To ensure the correct requirement of manpower:**

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

❖ **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.

❖ **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.

❖ **To appraise the performance of employees:**

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

❖ **To improve competitive advantage:**

Higher the level of good performers greater the possibility of fast paced growth of the enterprise.

❖ **To provide incentives and bonus to best performers:**

It is the role of human resource management to recognize the best performers and to provide them with bonus and incentives as a form of appreciation for their work. This motivation can be either financial or non financial.

❖ **To determine employee commitment:**

Human resource management determines the level of commitment of employees to their work either through interview or questionnaire. The higher the level of commitment the higher the possibility of the organisation to be successful.

❖ **To emphasis socialization:**

Human beings are social animals and they should be ensured that they are comfortable in the work place by maintaining cordial relationship with peers, subordinates and managers so as to contribute maximum to the organization.

❖ **To promote favourable employee attitude:**

Organisations are expected to provide a good work environment to secure favourable employee attitude towards the management. This can be accomplished through conflict resolution, counseling, grievance reprisals etc.

❖ **To provide scope for collective bargaining:**



Human resource management encourages workforce to form a union to represent their grievances and find early solution for their problems by collective representation.

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

The functions of human resource management may be classified as under:

➤ **Main function:**

- Planning, Organising, Directing, Controlling.

- ❖ **Planning:** Planning is deciding in advance what to do?, how to do?, and who is to do it. It bridges the gap between where we are and where we want to go. It involves determination of objectives, policies, procedures, rules, strategies, programmes and budget.
- ❖ **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.
- ❖ **Directing:** It involves issue of orders and instructions along with supervision, guidance and motivation to get the best out of employees. This reduces waste of time energy and money and early attainment of organisational objectives.
- ❖ **Controlling:** It is comparing the actual performance, comparing actual with standards and to check whether activities are going on



as per plan and rectify deviations. The control process includes fixing of standards, measuring actual performance, comparing actual with standard laid down, measuring deviations and taking corrective actions. This is made possible through observation, supervision, reports, records and audit.

#### 4. Discuss the Operating functions of HRM.

➤ **Operative function:**

- Procurement, Development, Compensation, Retention, Integration, Maintenance.
- ❖ **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 those activities that aim to bring about reconciliation between personal interest and organizational interest.
- ❖ **Maintenance:** This encourages employees to work with job satisfaction, reducing labour turnover, accounting for human resource and carrying out audit and research.

## **UNIT –IV HUMAN RESOURCE MANAGEMENT**

### **LESSON – 10 RECRUITMENT METHODS**

#### **I. Choose the Correct Answers: (1 marks)**

1. Recruitment is the process of identifying -----.  
a. **Right man for right job** b. good performer c. Right job d. All of the above
2. Recruitment bridges gap between----- and -----.  
a. **Job seeker and job provider** b. job seeker and agent c. job provider and owner and servant
3. Advertisement is a----- source of recruitment.  
a. Internal **b. external** c. agent d. outsourcing
4. Transfer is an----- source of recruitment.  
a. **Internal** b. external c. outsourcing d. none of the above.
5. E-recruitment is possible only through----- facility.  
a. Computer **b. internet** c. Broadband d. 4G

#### **Interior Questions:**

1. Poaching is otherwise known as **RIVAL FIRMS/RAIDING.**
2. Employment Consultancies is called as **RECRUITMENT PROCESS OUTSOURCING.**

#### **II. Very Short Answer Questions: (2 marks)**

1. Give the meaning of Recruitment.

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

## **2. What is Promotion?**

Based on seniority and merits of the employees they are given opportunity to move up in the organizational hierarchy.

## **3. Write any two internal source of recruitment.(any 2)**

Transfer, Upgrading, Promotion, Demotion, Recommendation by existing Employees, Job Rotation, Retention, Retired employees, Dependants, previous applicants, Acquisitions and Mergers.

## **4. What is meant by Campus of recruitment?**

The organizations visit the educational institutions to identify and recruit suitable candidates.

## **5. What is Poaching?**

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

## **Interior Questions:**

### **1. What are reasons behind Recruitment?**

These are different reasons why vacancy arises and they are:

- ✓ Recruitment of an employee
- ✓ Death of an employee
- ✓ Resignation of job by an employee
- ✓ Disablement of an employee
- ✓ Dismissal of an employee.

## 2. What is Retention?

**Retention:** The retiring employees can be used to meet the requirement after superannuation as per management discretion.

## 3. What is meant by Demotion?

**Demotion:** Movement of employee from a higher position to a lower position because of poor performance continuously to make him realize the significance of performance.

## 4. What do you mean by E-recruitment?

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

## 5. What is deputation?

**Deputation:** A Person who is already an employee of an organization can be deputed for a specific job for a specified period as a short term solution.

### III. Short Answer Questions: (3 marks)

#### 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 is meant by unsolicited applicants?

**Unsolicited applicants:** These are the applications of job seekers who voluntarily apply for the vacancies not yet notified by the organizations.

#### 3. What is meant by job portals?

- Using internet job portals organizations can screen for the prospective candidates and fill up their vacancies.

#### 4. State the steps in Recruitment Process Outsourcing.



#### IV. Long Answer Questions: (5 marks)

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

There are basically two ways by which an organization can recruit its employees namely Internal External sources. External sources further be classified into Direct and Indirect sources.



##### ➤ Internal Sources:

The selection of candidates for the job will be done from among the existing employees of the organization is called as internal sources of recruitment.

The following are the internal sources of Recruitment:

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



- **Upgrading:** Performance appraisal helps in the process of moving employees from a lower position to a higher position.
- **Promotion:** Based on seniority and merits of the employees they are given opportunity to move up in the organizational hierarchy.
- **Demotion:** Movement of employee from a higher position to a lower position because of poor performance continuously to make him realize the significance of performance.
- **Recommendation by existing Employees:** A family member, relative or friend of an existing employee can be recruited and placed.
- **Job rotation:** One single employee managing to learn how to perform in more than one job on rotation. This familiarizes the employees with all kind of jobs performed and becomes a source.
- **Retention:** The retiring employees can be used to meet the requirement after superannuation as per management discretion.
- **Retired employees:** The employees who have already retired can be called to fill the vacancy as they have the required qualification and experience.
- **Dependants:** The legal heir or the dependent employee may be given a chance to replace the deceased.

- **Previous applicants:** The applicants who have already applied for any job advertised in the past whose name appears in the data base but not selected at that point of can be utilized.
- **Acquisitions and Mergers:** This is another way by which the organization acquires another business unit or merging with another establishment.

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

❖ **External Sources:** It consists of the various outside sources from an employer can find candidates eligible for the various post in the organization.

### **A. Direct:**

- **Advertisements:** The employer can advertise in dailies, journals, magazines etc. about the vacancies in the organization specifying the nature of work, nature of vacancy, qualification and experience required, salary offered, mode of applying required, salary offered, mode of applying and the time limit within which the candidate has to apply.
- **Unsolicited applicants:** These are the applications of job seekers who voluntarily apply for the vacancies not yet notified by the organizations.

- **Walk-ins:** Walk –in applicants with suitable qualification and requirement can another source of recruitment.
- **Campus Recruitment:** The organizations visit the educational institutions to identify and recruitment suitable candidates.
- **Recruitment at Factory Gate:** Usually casual or temporary unskilled employees are recruited by this way. They are recruited at factory gate and paid on hourly or daily basis.
- **Rival firms:** This is also called poaching where the efficient employees of rival companies are drawn to the organizations by higher pay and benefits. For example Salesmen, Chartered Accountants, Management Professionals etc.
- **E-Recruitment:** The organizations which carry out recruitment online methods is said to follow e-recruitment. The advancement in technology and communication has made it possible to reach out prospective applicants globally online. It has become inevitable external source of recruitment.

### **B. Indirect:**

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

- **Government/Public Employment Exchanges:** These are exchanges established by Government which facilitates recruitment throughout the country. It makes available the information required through the data base for the employer as well as the job seeker by bridging the gap between them.
- **Private Employment Agencies:** These are similar to Public employment exchanges except that the ownership is the hands of Private parties. It connects the job provider and the job seeker by providing the relevant and required information.
- **Employment Consultancies:** These types of firms facilitate recruitment on behalf of client companies at cost. Usually they provide data relating to executives and top level personnel for which service they charge consultation fees also known as **Recruitment Process Outsourcing**.
- **Professional associations:** Organisations seeking applicants of high caliber and repute with technical knowledge approach professional associations like Institute of Chartered accounts. The Indian Medical Association, The Institute of Engineers, The Institute of Training and Development, All India Management Association etc. to identify the right person.

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

### 3. What is the Recent trends in recruitment.

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

- ✓ **Outsourcing:** There are outsourcing firms that help in the process of recruiting through screening of applications and finding the right person for the job for which job they are paid service charges.



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

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## **UNIT - IV HUMAN RESOURCE MANAGEMENT**

### **LESSON - 11 EMPLOYEE SELECTION PROCESS**

#### **I. Choose the Correct Answers:**

1. The recruitment and Selection Process aimed at right kind of people.  
a. At right people b. At right time c. To do right things **d. All of the above**
2. The Poor quality of selection will mean extra cost on ----- and supervision.  
a. **Training** b. Recruitment c. Work Quality d. None of these
3. ----- refers to the process of identifying and attracting job seekers so as to build a pool of qualified job applicants.  
a. Selection b. Training **c. Recruitment** d. Induction
4. Selection is usually considered as a----- process.  
a. Positive **b. Negative** c. Natural d. None of these
5. Which of the following test is used to measure the various characteristics of the candidate?  
a. Physical Test **b. Psychological Test** c. attitude Test d. Proficiency Tests
6. Which of the following orders is followed in a typical selection process?  
a. Application form test and or interview, reference check and physical examination



- b. Application form test and or interview, reference check, and physical examination**
- c. Reference check, application form, test and interview and physical examination
- d. Physical examination test and on interview application term and reference check.
7. The purpose of an application blank is to gather information about the
- a. Company **b. Candidate** c. Questionnaire or Interview Schedule d. Competitors
8. Identify the test that acts as an instrument to discover the inherent ability of a candidate
- a. **Aptitude Test** b. Attitude Test c. Proficiency Test d. Physical Test
9. The process of eliminating unsuitable candidate is called
- a. **Selection** b. Recruitment c. Interview d. Induction
10. Scrutiny of application process is the
- a. Last step in Selection process
- b. First step in Selection process**
- c. Third step in Selection Process
- d. None of the above
11. Selection process helps in

a. Locating candidates

**b. Determining the suitability of the candidates.**

c. Preparing employees for training

d. None of these

12.The process of placing the right man on the right job is called-----

a. Training **b. Placement** c. Promotion d. Transfer

13.Probation/Trial period signifies

**a. One year to two years**

b. One year to three years

c. Two years to four years

d. None of the above

14.Job first man next is one of the Principles of-----

a. Test b. Interview c. Training **d. Placement**

## **II. Very Short Answer Question:**

### **1. What is selection?**

Selection is the process of choosing the most suitable person for the vacant position in the organization.

### **2. What is an interview?**

- The term “interview” has been derived from French word enter voir that means to glimpse or to see each other.

- In other words interview represents a face to face interaction between the interviewer and interviewee.

### **3. What is intelligence test?**

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

The main aim of these tests is to obtain an idea of the person's intellectual potential.

$$IQ = \frac{\text{Mental Age}}{\text{Actual Age}} \times 100$$

### **4. What do you understand about bio data?**

Bio data is the collection of information regarding the socio economic profile, job, previous experiences, the nature of the work done and achievement of the person, who prepared it.

### **5. What do you mean by placement?**

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

### **Interior Questions:**

#### **1. What do you mean by test?**

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

## **2. Define Selection.**

**According to Dale Yoder:** “Selection is the process in which the candidates for employment are divided into two classes – those who are to be offered employment and those who are not”.

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

## **3. Define Placement.**

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

## **4. Define 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”.

## **4. Who said these Quotes?**

- “The key for us number one, has always been hiring very smart people”.

- **“You cannot push anyone up the ladder unless he is willing to climb it”.**

Ans: Bill Gates

**5. What are the qualities required to success in campus placement?**

Confidence, Enthusiasm, communication skill, leader team player

leadership, Honesty.

**6. Who are developed IQ?**

The first modern intelligence test in IQ history was developed in 1904, by Alfred Binet (1857-1911) and Theodore Simon (1873-1961).

**7. What is meant by Metal age?**

A person's mental age is a measurement of their ability to think when compared to the average person's ability at that age.

**8. “Sound Mind is in Sound Body”-means?**

Physical Examination or Medical Examination.

**9. When an employee is confirmed a regular employee of the organization?**

The employee is generally put on a probation/trial period ranging from one year to two years. After completion of the probation period. It the employee

shows a better performance, he/she is confirmed at the job as a regular employee of the organization.

### **III. Short answer Questions:**

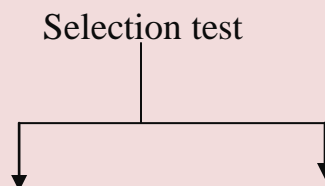
#### **1. What is stress interview?**

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 initiating activities. They assess the suitability of the candidate by observing the reaction and response of the candidate to the stressful situations. Mostly this type of interview conducted for recruiting sales representatives staff for defence and law enforcement agencies.

#### **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. It is otherwise known as Guided or Planned interview.

#### **3. Name the types of selection test?**



Ability Tests

Personality Tests

Aptitude test

Interest Test

Achievement Test

Personality Inventory Test

Intelligence Test

Projective Test/ Thematic  
Appreciation Test

Judgment Test

Attitude Test

**4. What do you mean by achievement test?**

The test measures a candidate's capacity to achieve in a particular field. In other words this test measures a candidate's level of skill in certain areas, accomplishment and knowledge in a particular subject. The regular examination conducted in educational institution represents achievement test. It is also called proficiency test. This test is conducted before, during or after a learning experience. In short it is a test conducted to find out candidate's mastery over the subject.

**Example:**

- A driver may be asked to drive a vehicle to test his driving efficiency.
- Music student may be asked to play a given instrument.
- Teacher candidate may be asked to give demonstration.

**5. What is aptitude test?**



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

#### **6. How is panel interview conducted?**

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

#### **Interior Questions:**

- 1. List out the various selection interviews.**

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

## **2. List out the significance of placement.**

The significance of the placement is given below:

- It improves employee morale
- It helps in reducing employee turnover
- It helps in reducing conflict rates or accidents
- It avoids misfit between the candidates and the job.
- It helps the candidate to work as per predetermined objectives of the organization.
- It involves assigning a specific rank and responsibilities to an individual.

- It helps to avoid short term staff shortage.

### **3. Why do you think the medical examination of a candidate is necessary?**

It is otherwise known as Physical Examination. This is the most important step in the selection because a person of poor health cannot work competently and any investment on him may go waste, if he/she is unable to discharge duties efficiently on medical grounds.

In other words, it determines an applicant's physical ability to perform a specific job. The main purpose of medical examination is to find out

1. Physical fitness of the candidate under selection to the job concerned.
2. To protect the existing employees of business organization from the infectious disease likely to be spread by the candidate selected.
3. To check excessive expenditure in the treatment of selected employees after placement.

### **4. List out 10 most common Interview Questions.**

- ✓ Tell me about (Your self)
- ✓ Why do you want to work for this Organisation?
- ✓ Why are you interested in this position?
- ✓ Why should we select you?
- ✓ What is your greatest strength?
- ✓ Tell about the time, when you failed?

- ✓ What is your salary requirement?
- ✓ What is your five year plan?
- ✓ Why are you looking to leave your present job?
- ✓ Do you have any questions for me?

#### 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. This test is used to find the suitability of a candidate for a given job role.

###### ❖ **Aptitude Test:**

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

###### i. **Numerical Reasoning Test:**

Numerical reasoning test provides information about candidate's numerical aptitude.

###### ii. **Verbal Reasoning Test:**

It measures the candidate's ability to comprehend the written text and ability to arrive at factual conclusion from the written text.

**iii. Inductive Reasoning Test:**

It is one of the psychometric tests conducted in the selection process to measure the problem solving abilities and ability to apply logical reasoning.

**iv. Mechanical Reasoning Test:**

This test measures the engineering student's ability to apply engineering concepts in actual practice.

**v. Diagrammatic Reasoning Test:**

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

**vi. Spatial Reasoning Test:**

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

**vii. Situational Judgment Test:**

This test measures the candidate's ability to choose the most desirable action in critical situations using his judging ability.

**viii. Mental Arithmetic Test:**

This test measures the candidate's basic numerical ability like addition, subtraction, multiplication, division and fraction. It tests the speed of doing calculation.

**ix. Vocabulary Test:**

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

**x. Number Sequence Test:**

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

**❖ Achievement Test:**

The test measures a candidate's capacity to achieve in a particular field. In other words this test measures a candidate's level of skill in certain areas, accomplishment and knowledge in a particular subject. The regular examination conducted in educational institution represents achievement test. It is also called **proficiency test**. This test is conducted before, during or after a learning experience. In short it is a test conducted to find out candidate's mastery over the subject.

**Example:**

- A driver may be asked to drive a vehicle to test his driving efficiency.
- Music student may be asked to play a given instrument.
- Teacher candidate may be asked to give demonstration.

❖ **Intelligence Test:**

- Intelligence tests are one of the psychological tests, that is designed to measure a variety of mental ability, individual capacity of a candidate.
- The main aim of these tests is to obtain an idea of the person's intellectual potential.
- $$IQ = \frac{\text{Mental Age}}{\text{Actual Age}} \times 100$$

❖ **Judgment Test:**

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

**B. Personality test:**

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

❖ **Interest Test:**

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

❖ **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. This test assesses the reliability and innate characters of the candidate concerned.

❖ **Projective Test/Thematic Appreciation Test:**

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

❖ **Attitude Test:**

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

**2. Explain the important methods of interview.(any 5)**

Interview represents a face to face interaction between the interviewer and interviewee.

❖ **Preliminary interview:**

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

❖ **Structure/Guided/Panel 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.

❖ **Unstructured Interview:**

This is quite contrary to structured interview. An atmosphere for free and frank interaction is created in the interview environment. 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.

❖ **In depth Interview:**

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

❖ **Panel Interview:**

- When a group of people interview the candidate, it is called panel interview.
- Usually panel comprises chair person, subject expert, psychological experts, representatives of minorities/underprivileged groups, nominees of higher bodies and so on.
- All panel members ask different types of questions on general areas of specialization of the candidate.

- Each and every member awards marks for the candidates separately.
- At the end, the marks awarded by all the members are aggregated and the candidates are ranked accordingly.
- This method eliminates bias in selection process.
- This ensures more reliability in the selection of the candidate.

❖ **Stress Interview:**

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

❖ **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.

❖ **Online Interview:**

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

❖ **Group Interview:**

A group interview is a screening process where multiple candidates are interviewed at the same time. Group interview is a good time saving type of interview. Some time particular topic is given to the group, and they are asked to discuss it. The competency of members of group is assessed by keenly observing the participation of members in the discussion.

❖ **Video Conferencing Interview:**

It is similar to face to face interview. Video conferencing interview is a kind of conference call that connects the candidate with companies located across various geographies. Just like telephone call a video conferencing interview has multi point which allows two or more people in different locations to participate in the interview process. Interview can be conducted from a desktop at work, a home computer or smart phone or a tablet.

**3. Explain the principles of placement.**

The following principles are followed at the time of placement of an employee:

➤ **Job First, Man Next:**

Man should be placed on the job according to the requirements of the job. There is no compromise on the requirements or qualifications of the man with respect to job. “Job first Man next” should be principles of placement.

➤ **Job Offer:**

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

➤ **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.

➤ **Aware about the Penalties:**

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

➤ **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.

#### 4. Differentiate Recruitment and Selection.

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

**Interior Questions:****1. What are the steps/stages in the selection process?****❖ Application Blank:**

The Recruiter either supply pre-printed application form or direct the candidates to download the forms uploaded in their respective websites.

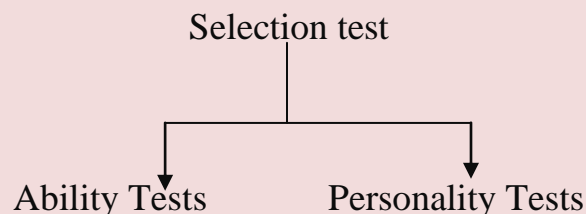
Selector can collate different types of information from the application blank namely family background, educational qualification, co-curricular activities, work experience, exposure to related activities, scale of pay drawn, academic distinction, area of expertise and so on.

**❖ Scrutinizing the Applications:**

Selection committee has to evolve some criteria like age, length of experience, level of education, percentage of marks, higher qualification, level of exposure, communal quotas, proficiency etc., to shortlist the number of applicants for the interview.

**❖ Selection Test:**

Selection is the process of choosing the most suitable person for the vacant position in the organization.





Aptitude test

Interest Test

Achievement Test

Personality Inventory Test

Intelligence Test

Projective Test/ Thematic  
Appreciation Test

Judgment Test

Attitude Test

### **Interview:**

Interview represents a face to face interaction between the interviewer and interviewee.

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

❖ **Physical Examination/Medical Examination:**

The last technique used in selection process is medical examination.

This is the most important step in the selection because a person of poor health cannot work competently and any investment on him may go waste, if he/she is unable to discharge duties efficiently on medical grounds.

In other words, it determines an applicant's physical ability to perform a specific job. The main purpose of medical examination is to find out

- Physical fitness of the candidate under selection to the job concerned.
- To protect the existing employees of business organization from the infectious disease likely to be spread by the candidate selected.
- To check excessive expenditure in the treatment of selected employees after placement.

❖ **Reference Check:**

Reference Check is done to know reliability and trustworthiness of the candidate. Usually application blank contains a column for the candidate to furnish the list of persons to be contacted for reference purpose. Employer organization used to send either standardized form to referees or request them to write in detail about certain behavioral traits of candidate under selection like conduct, character, attitude, behavior, value system etc., of the candidate under selection process.

The selector decides the selection worthiness of the candidate based on the reference and recommendation given by referees.

❖ **Approval by Higher Authority:**

Selection committee sends the list of candidates selected with some candidate kept in waiting list for approval by higher authority like chairman, HR director, CEO and the like. Once the list is approved the selected candidate will be called for final interview.

❖ **Final Selection:**

The successful candidate who passed through various stages of selection process will be called for final interview. These candidates are briefed about the rules and regulations of the organization, organizational culture, reporting relationship, dress code, expectations of employer, facilities available for career growth etc. At the end of the final interview even the candidate under selection is allowed freedom to seek clarification or make his own demands if any.

❖ **Contract of Employment:**

After the final selection process is completed, certain documents are expected to be signed both by the organization and the candidate. Hence there is a need for preparing a contract of employment. The

following basis information which needs to be included in a written contract of employment varies according to the level of the job.

Generally it contains details like

1. Job Title
2. Duties & Responsibilities
3. Scale of Pay allowance, increments
4. Working hours
5. Date when continuous employment starts and basis for calculating service
6. Work Rules.
7. Grievance procedure
8. Disciplinary procedure
9. Special terms and conditions relating to rights etc.

## **2. What are the factors influencing selection process?**

Factors influencing employee selection process are listed below;

### **❖ Nature of Post:**

The process of selection of employee varies according to type of personnel to be recruited.

### **❖ Number of Candidates:**

The selection process would be longer if the number of applicants is lesser and consequently selection process becomes shorter.

❖ **Selection Policy :**

Some organizations put in place tougher selection process involving several steps to identify the best fit while certain other organizations just conduct straight interview and thus cutting short the selection procedure.

❖ **Cost factor/Budget:**

The longer selection process entails higher cost.

❖ **Level of Educational Qualification and Experience and Exposure:**

The process of selection depends on the experience and educational qualification, and exposure required for the post.

**3. Explain the importance of Selection.**

❖ **Good Talent:**

Proper selection system enables the organization to appoint talented persons for various activities and thereby leading to improved productivity and profitability of the organization.

❖ **Better Efficiency:**

Selection of right person to the right job is sure to produce better quality of work and It will help in greater measure to tone up the overall efficiency of organization.

❖ **Reduced Cost of Training and Development:**

Better selection of candidates definitely reduces the cost of training because qualified personnel have better grasping power.

❖ **Reduced Turnover:**

Proper selection of candidates contributes to low labour turnover.

❖ **Job Motivation:**

If the right person is selected for the right job, it tends to motivate the person to work more effectively and efficiently.

❖ **Other Benefits:**

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

## **UNIT - IV HUMAN RESOURCE MANAGEMENT**

### **LESSON - 12 TRAINING AND DEVELOPMENT**

#### **I. Choose the Correct Answers:**

1. Off the job training is given
  - a. In the class room b. On off days **c. Outside the factory** d. In the playground.
2. Vestibule training is provided
  - a. On the Job b. In the class room **c. In a situation similar to actual working environment** d. By the committee.
3. Improves Skill levels of employees to ensure better job performance
  - a. **Training** b. Selection c. Recruitment d. Performance appraisal
4. When trainees are trained by supervisor or by superior at the job is called
  - a. Vestibule training b. Refresher training c. Role play **d. Apprenticeship training**
5. ----- is useful to prevent skill obsolescence of employees
  - a. **Training** b. Job analysis c. Selection d. Recruitment
6. Training methods can be classified into training----- training.
  - a. Job rotation and job enrichment **b. On the Job and Off the Job**
  - C. Job analysis and Job design d. Physical and mental
7. Elaborate discussion on specific topic comes under-----method of training.



- a. Under study b. Coaching **c. Conferences** d. Counseling

## **II. Very Short Answer Questions:**

### **1. What is meant by training?**

It refers to the teaching and learning activities carried on for the primary purpose of helping members of an organization to acquire and to apply the required knowledge, skill and attitudes to perform their jobs effectively and efficiently.

### **2. What is Mentoring training method?**

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

### **3. What is Role Play?**

Under this method trainees are explained the situation and assigned roles. They have to act out the roles assigned to them without any rehearsal. There are no pre-prepared dialogues. Thus they have to assume role and play the role without any preparation. The moderator after observing the role played gives his views to the role players.

### **4. State e-learning method.**

E learning is the use of technological process to access of a traditional classroom or office. Under this type of web based

training is anywhere and anytime information can pass over the internet. E learning is also often referred to as online learning or web based training.

### **Interior Questions:**

**1. What is the Percentage of Success is measured by Funmiwale-Adegbite?**

“Success is 80% Attitude and 20% aptitude”

**2. List out the process of internship.**

- Practice
- Learning
- Experience
- Success

**3. State the three parts of Programmed Instruction Method.**

- Presenting facts,
- New Knowledge and
- Question and Answer

**4. What are the skills teaches/guided by the superior in coaching method?**

- Training
- Education
- Support
- Potential

- Motivation
- Knowledge

### **5. What are the terms included in the training?**

- Goal
- Education
- Instruction
- Learning
- Knowledge
- Workshop
- Mentor
- Skill
- Coach
- Teaching
- Ability
- Development
- Advising
- Motivation

### **III. Short Answer Questions:**

#### **1. What is vestibule training?**

Vestibule training is training of employees in an environment similar to actual work environment artificially created for training purpose. This type of training is given to avoid any damage or loss to machinery in the actual place by trainees

and avoid disturbing the normal workflow in the actual workplace. It is given to Drivers, Pilots, and Space Scientists etc.,

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

It refers to the training which is given to the employee at the work place by his immediate supervisor. In other words the employee learns the job in the actual work environment. It is based on the principle of “**Learning by Doing and Learning While Earning**”. On the Job training is suitable for imparting skills that can be learnt in a relatively short period of time.

## **3. Write down various steps in a training programme.**

Training is one of the planned activities to transfer or modify knowledge, skills and attitude. Every training programme must address certain vital issues listed below:

### **Steps in Designing a Training Programme:**

1. Whom to Train?
2. Who is the Trainee?
3. Who are Trainers?
4. What Method will be used for Training?
5. What should be Level the Training?
6. Where to Conduct the Training Programme?

## **4. Write short note on trainer and trainee.**

**Trainer:** He is a person who teaches skills to employee and prepare them for a job activity.

Trainers may be supervisor, coworkers, HR staffs, specialists in the other parts of the company, outside consultants, industry association, faculty members of Educational Institutions like University etc. The trainers is otherwise called Instructor, Coach, Teacher, Mentor, Adviser, Counselor, Guide, Guru, Manager, Handler, Tutor and Educator etc.

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

### **Interior Questions:**

#### **1. What are the sectors the ICA offers skill based training in PMKVY?**

ICA (InfoTech Private Ltd.) offers skill based training under this initiative, in the following sectors:

- ✓ Agriculture
- ✓ Apparel, Manufacturing Made Ups and Furnishing
- ✓ Leather products
- ✓ Handicrafts

✓ Telecom.

#### IV. Long Answer Questions:

##### 1. Discuss various types of training.

##### Types of training:

Various methods of training are used to train the employees.

There are two principal methods of employee training which are used by the organization as given below:

I. On the Job Training

II. Off the Job Training

##### I. On the Job Training:

It refers to the training which is given to the employee at the work place by his immediate supervisor. In other words the employee learns the job in the actual work environment. It is based on the principle of “**Learning by Doing and Learning While Earning**”. On the Job training is suitable for imparting skills that can be learnt in a relatively short period of time.

The following are the on the job training methods.

##### ❖ 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. Under this method the superior should point out mistakes/lapses committed by the new worker and also advise the

remedial measures, to trainees. The trainees can clear their doubts then and there.

❖ **Mentoring Method:**

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

❖ **Job Rotation Method:**

It is an important method for broadening the knowledge of executives. Under this method a trainee is periodically shifted from one work to another work and from one department/division to another department/division for a particular period of time. The main aim of job rotation is to expose the employee to various inter related jobs.

❖ **Job Instruction Techniques(JIT) Method:**

In this method, a trainer at the supervisory level gives some instruction to employees to how to perform his job and its purpose.

❖ **Apprenticeship Training Method:**

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



apprenticeship training is given to the technical cader like that Mechanics, Electricians of this training programme ranges from one to five years. The trainee gets the stipend during the training period.

❖ **Committee Assignment:**

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

❖ **Understudy/Internship Training Method:**

A superior gives training to a subordinates or understudy like an assistant to a manager or director. The subordinates learn through experience and observation by participating in handling day to day problems. Basis purpose of internship training is to prepare subordinate for assuming the full responsibilities and duties.

**II. Off the Job Training:**

It is the training method where in the workers/employees learns the job role away from the actual work floor. In other words training which is carried out away from your normal place of work.

❖ **Lecture Method:**

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

Trainer may be generally drawn from Colleges, Universities, Consultancies, Institutions, Manufacturing concern, Union etc., They impart training effectively by their oratorical skill, knowledge and practical knowledge using audio visual tools.

❖ **Group Discussion Method:**

Group of people participate and discuss particular subject or one topic. Under this method participants are divided into various groups. They were provided a particular issue for deliberation. Each group has to prepare solution to the audience, which will be discussed or deliberated by other groups. Moderator will give final solution after listening to divergent view points.

❖ **Case Study Method:**

Trainees are described a situations which stimulate their interest to find solution. They have to use their theoretical knowledge and practical knowledge to find solution to the problem presented. There is no single solution to the problem presented. There is no single solution to the problem. It may vary depending upon view points of trainees. In short, the purpose of case study method is, to make trainee apply their knowledge.

❖ **Role Play Method:**

Under this method trainees are explained the situation and assigned role. They have to act out the roles assigned to them without any rehearsal. There are no pre-pared dialogues. Thus they have to

assume role and play the role without any preparation. The moderator after observing the role played gives his views to the role players.

**For example** the role of customer and salesman, management and union leader, foreman and worker etc. may be played in the training arrangements.

❖ **Seminar/Conference Method:**

This method enables the trainees to listen to the lectures/talk delivered on specific topics and provides opportunities to participate, to interact with the speaker and get their doubts clarified or select participants may be allowed to present papers with the audio visual aids as delegates. They share their rich experience at the seminar through their papers. Thus participants can widen and deepen their knowledge by their active participation at the conference.

**For example** Doctors conference, Salesman Conference etc., This is one of the oldest method, but still a favorite training method.

❖ **Field Trip Method:**

A field trip or field work or training in the field is a journey undertake by a group of employees trainees to a place away from their actual site. In other words, trainees are taken to actual workplace/site/facility to gain exposure knowledge. They are explained the process of work by supervisor/manager of the

facility visited by the participants. They are free to clarify their doubts from the organization experts. This method helps the trainees to strengthen their theoretical knowledge obtained in a class room environment by practical exposure.

❖ **Vestibule Training Method:**

It is training of employees in an environment similar to actual work environment artificially created for training purpose. This type of training is given to avoid any damage or loss to machinery in the actual place by trainees and avoid disturbing the normal workflow in the actual workplace. It is given to Drivers, Pilots, and Space Scientists etc.,

❖ **E-learning Method:**

It is the use of technological process to access of a traditional classroom or office. E learning is also often referred to as online learning or web based training. E learning training courses can save lakhs and lakhs of rupees to an organization as they no longer have to pay for over time or costly seminar to improve employees' skills. Under this type of web based training is anywhere and anytime information can pass over the internet.

❖ **Demonstration Training Method:**

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

an example, trainer shows the trainees how to perform or how to do the task of the job.

### ❖ **Programmed Instruction Method:**

Under this method, the subject matter to be learnt is presented in a series of units. These units are arranged from simple to complex level. It consists of three parts:

- Presenting facts,
- new knowledge and
- Question and Answer.

Trainee has to read the unit understand the concept and take part in self-evaluation exercise. This system provides feedback on the accuracy of response given by trainee.

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

<b>Basis for comparison</b>	<b>On the job Training</b>	<b>Off the Job Training</b>
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.
Cost	It is cheapest to carry out.	It requires expenses like separate training rooms,

		specialist, resources like projectors.
Location	At the work place.	Away from the work place.
Suitable for	Generally imparted in case of Manufacturing for production related jobs.	Mostly imparted for managerial and non production related jobs.
Approach	Practical approach.	Theoretical approach.
Principle	Learning by performing.	Learning by acquiring knowledge.
Carried out	It is carried out by the experienced employee.	Training which is provided by the experts.
Deals with	Training is very relevant and practical dealing with day-to-day requirement of job.	It can more easily deal with groups of workers at the same time.
Work disturbance	The scope for distractions is more, as there may be noise and disturbances because of working machines, tools and gadgets.	There is no distraction because trainees are away from the actual working environment.
Methods	Coaching, job rotation, apprenticeship, mentoring, understudy, job instruction, committee assignment are some	Role-Play, seminar, lectures, case studies, vestibule, field trip, programme instruction, demonstration, e-learning are



	of the avenues of on-the job training methods.	some of the off the job training methods.
--	--	---

### 3.Explain the benefits of training.

#### I. Benefits to the Organization:

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

#### II. Benefits to the Employees:

- It adds to the knowledge skill and competency of employee.
- It enables him to gain promotion of achieve career advancement in quick time.
- It improves the employees productivity.
- It enhances the morale of the employee.



- Employees get higher earnings through incentives and rewards.
- It builds up the confidence of employee by changing his attitude positively towards to work.
- It enables him to observe safety practices voluntarily during his engagement in dangerous operation.

### **III. Benefits of Customer:**

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

### **Internal Questions:**

#### **1. Write a short note on PMKVY.**

**Pradhan Mantra Kaushal Vikas Yojana (PMKVY)** is a unique initiative by the Government of India that aims to offer 24 lakh India Youth meaningful industry relevant skill based training. Under this scheme, the trainees will be offered a financial reward and a government certification on successful completion of training and assessment, which will help them in securing a job for a better future. ICA (InfoTech Private Ltd.) offers skill based training under this initiative, in the following sectors:

- ✓ Agriculture
- ✓ Apparel, Manufacturing Made Ups and Furnishing

- ✓ Leather products
- ✓ Handicrafts
- ✓ Telecom.

## 2. Explain the Purpose of Training or need for Training?

The purpose of Training can be explained as follows:

- **Improved Quality of Work:**

Training helps to focus on specific area and develop employee skills. It enables employee to increase the quality of work carried out by them.

- **Enhance Employee Growth**

Employees who undergo training become good at their job. Imparting new skills helps in performance enhancement of the employees.

- **Prevention of Obsolescence:**

Training helps to learn more knowledge regarding the latest technologies and techniques. The employee gets updated with the latest technology and trend. The major purpose of training is to avoid obsolescence.

- **Enlightening New Recruits**

New employee can learn the methods of working techniques, reporting, related tools and equipment used in the job, the work culture of the company etc. with the help of training.

- **Improved Safety Measures:**

Employees gain awareness about the risks involved in job and safety measure to be adopted through a proper training program. This helps to improve safety in the work place and avoid accidents,

- **Improved Safety measures:**

Employees gain awareness about the risks involved in job and safety measure to be adopted through a proper training program. This helps to improve safety in the work place and avoid accidents.

- **Motivating Employees:**

An employee needs continuous development to move along the career path as per the career planning. Training motivates and instills organizational commitment.

- **Higher Productivity and Profits:**

Efficient training improves higher productivity and more profits as the trained employee can apply more skills and techniques at works. It helps them do work at faster rate and complete it with high perfection.

- **Cost Reduction**

Trained employees can utilize the resources in an efficient manner. There is no possibility of wastages of resources and all facilities are used at an optimum level. This will lead to cost reduction.

- **Reduced Supervision**

Trained employees need minimum supervision as they are educated about various aspect of job in detail at the training programme.

- **Better Adaptability**

Employees are able to adapt themselves to new technologies and new methods of work which constantly undergoes changes.

### **3. What are the steps/process/stages in designing a training programme?**

- **Whom to Train?**

It should identify whether it is needed for operational level employees or supervisory level employees or executive level.

- **Who is the Trainee?**

A person who is learning and practicing the skills of particular job is called trainee.

- **Who are Trainers?**

Trainer is a person who teaches skills to employee and prepares them for a job activity.

- **What Method will be used for Training?**

Training segment should decide the appropriate method of training among the various methods of training available.

- **What should be Level the Training?**

Usually introductory training is given to new recruit to sensitize them to various aspects of the work. Middle level employees are given skill development training while higher level training is given for enhancing functional efficiency of executives.

- Where to conduct the training programme?

The venue of training and duration of training should be fixed based on the availability of other related factors.

## **UNIT-V ELEMENTS OF MARKETING**

### **LESSON-13 CONCEPTS OF MARKETING AND MARKETER**

#### **I. Choose the Correct Answer:**

- 1. One who promotes (or) Exchange of goods or services for money is called as-----**  
a. Seller **b. Marketer** c. Customer d. Manager
- 2. The marketer initially wants to know in the marketing is-----**  
a. Qualification of the customer  
b. Quality of the product  
c. Background of the customers  
**d. Needs of the customers**
- 3. The Spot market is classified on the basis of-----**  
a. Commodity **b. Transaction** c. Regulation d. Time
- 4. Which one of the market deals in the purchase and sale of shares and debentures?**  
**a. Stock Exchange Market**  
b. Manufactured Goods Market  
c. Local Market  
d. Family Market

### 5. Stock Exchange Market is also called-----

- a. Spot Market b. Local Market c. **Security Market** d. National market.

## II. Very Short Answer Questions:

### 1. What is Market?

- The word market is derived from the Latin word 'Marcatus' which means trade, commerce, merchandise.
- The meeting place of buyers and sellers in an area is called Market.

### 2. Define Marketer.( any one)

- **According to Pyle** "Market includes both place and region in which buyers and sellers are in free competition with one another".
- **According to Clark and Clark** "A market is a centre or an area in which the forces leading to exchange title to a particular product operate and towards which the actual goods tend to travel".

### 3. What is mean by Regulated Market?

These are types of markets which are organized, controlled and regulated by statutory measures.



Example: Stock Exchanges of Mumbai, Chennai, Kolkata etc.

#### **4. What is meant by Spot Market?**

##### **Spot Market:**

In such markets, goods are exchanged and the physical delivery of goods takes place immediately.

#### **5. What is meant by Commodity Market?**

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

#### **Interior Questions:**

##### **1. Who is Marketer?**

One who deals in a market; specifically,

- one who promotes or sells a product or service
- A marketer is someone whose job involves marketing
- Someone who promotes or exchanges goods or exchanges goods or services for money.

##### **2. Define Marketer.**

“ A person whose duties include the identification of the goods and services desired by a set of consumers, as well as

the marketing of those goods and services on behalf of a company”.- Business Dictionary.

**3. State the popular place of Tamil Nadu Goat and daily flower market.**

- There is a Goat Market in **Aathur** in Tamil Nadu.
- There is a daily flower market in **Hosur** in Tamil Nadu.

**4. Mention any four differences between Wholesale Market and Retail Market?**

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

**III. Short Answer Questions:**

## 1. What can be marketed in the Market?

Marketing is a comprehensive concept which starts from the point of creation, promotion and ultimately delivering the goods and services to consumers and businesses. The dynamic items that can be marketed are listed below:

### ❖ Goods:

Manufactured Goods are the main constituent of marketing endeavor in all the countries across the world. Companies and individuals market goods like consumer and individuals market goods like consumer durables, electronic products, machineries, Computers and its software and hardware etc.

### ❖ 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, professional consultations etc.,

### ❖ Experiences:

The unique and varied experiences pertaining to a place or a park or an event can be marketed under this concept.

For example: Amusement Park, Theme Park,  
Mountaineering etc.

❖ **Events:**

The event marketing aims at promoting and marketing of special events, shows, exhibitions, fairs, performances, sports events like World Cup, Olympics, T20 etc.

❖ **Persons:**

The marketing of goods and services through celebrities is a successful formula for creating a brand relationship with the consumes. The endorsement for the brand of a company can be carried down by cinema Stars, Sports Stars, Musicians and eminent personalities.

❖ **Places:**

Under place marketing, tourist business prospects, new residents and land are appealed to visit and particular geography by promoting special characteristics of places like infrastructural facilities, amusement, climatic conditions, entertainment, culture etc.

❖ **Properties:**

Properties include both real property and financial property which involve transfer of ownership on sale or purchase of the same.

For example: Constructed house, Land, Plot, Building, Shares, Debentures, Mutual Funds, etc.

❖ **Organizations:**

An Organization can market itself in order to build an image for a by sponsoring events, adoption of villages, donations for charitable causes, corporate social responsibility activities etc.

❖ **Information:**

Information is the most valuable product that can be marketed today. The data collected by an organization can be used as a product for this purpose.

For example: Information collected by libraries, research agencies, educational institutions, book publishers, broadcasting companies, internet etc.

❖ **Ideas:**

An idea may change the world Innovative and attractive ideas are the desirable products for the marketers to sell.

Social media marketing thrives on new ideas in a consistent manner.

## **2. Mention any three Role of Marketer? (any 3)**

The marketer plays four roles at follows:

### **❖ Instigator:**

As an instigator, marketer keenly watches the developments taking place in the market and identifies marketing opportunities emerging in the ever changing market. he/she puts in place appropriate marketing mix to capitalize the opportunity. In such a case, marketer plays as an instigator and leads the business toward new directions.

### **❖ Innovator:**

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

### **❖ Integrator:**

Marketer plays a role of integrator in the sense that he collects feedback or vital inputs from channel members and consumers and provides products/service solutions to

customers/consumers by coordinating multiple functions of organization.

❖ **Implementer:**

Marketer plays a role of implementer when he/she actually converts marketing opportunities into marketable product with the help of several functional terms put in place in the organization.

**3. Marketer is an innovator? Do you agree?**

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

**4. Explain the types of market on the basis of time.**

▪ **Very Short Period Market:**

- Markets which deal in perishable goods like, fruits, milk, vegetables etc., are called as very short period market. There is no change in the supply of goods. Price is determined on the basis of demand.

▪ **Short Period Market:**



- In certain goods, supply is adjusted to meet the demand. The demand is greater than supply. Such markets are known as Short period Market.

- **Long Period Market:**

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

**5. List down the functions of Marketer.**

- i. Gathering and Analyzing market information.
- ii. Market planning.
- iii. Product Designing and development
- iv. Standardization and Grading.
- v. Packaging and Labelling.
- vi. Branding
- vii. Customer Support Services
- viii. Pricing of Products
- ix. Promotion and Selling
- x. Physical Distribution
- xi. Transportation
- xii. Storage and Warehousing

**Interior Question:**

### **1. What is Terminal Market?**

It is a central site that serves as an assembly and trading place for commodities in a metropolitan area.

For agricultural commodities, these are usually at or near major transportation hubs.

### **2. What is meant by Bullion Market?**

This type of market deals with the purchase or sale of gold and silver. Bullion markets of Mumbai, Kolkata, Kanpur etc., are examples of such markets.

### **3. Explain the need for Market.**

- To exchange (barter) goods and service.
- 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 products by enhancing market segment.

### **IV. Long Answer Questions:**

#### **1. How the market can be classified?**

On the basis of different approaches markets have been classified on the basis Area, Nature of Goods, and Economic view, Transaction, Regulation, Time, Volume

and importance. The detailed classification presented in the following chart.

❖ **On the Basis of Geographical Area:**

▪ **Family Market:**

When exchange of goods or services are confined within a family or close members of the family, such a market can be called as a family market.

▪ **Local Market:**

Participation of both the buyers and sellers belonging to a local area or areas, may be a town or village, are called as local market. Demands limited in this type of market.

For example: Perishable goods like fruits, fish, vegetables etc.

▪ **National Market:**

Certain type of commodities has demand throughout the country. Hence it is called as a national market. This creates national markets for almost all the products.

▪ **International Market or World Market:**

World or international market is one where the buyers and sellers of goods are from different countries i.e., involvement of buyers and sellers beyond the boundaries of a nation.

❖ **On the Basis of Commodities/Goods:**

➤ **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:**

It is an organized market where commodities or agricultural produce are bought and sold on wholesale basis. Generally it deals with a single commodity. It is regulated and controlled by certain rules.

Example:

Wheat Exchange Market of Hapur, the cotton Exchange Market of Bombay etc.

▪ **Manufactured Goods Market:**

This market deals with manufactured goods.

Example:

Leather goods, manufactured machinery etc. The Leather Exchange Market at Kanpur is an example of the same.

▪ **Bullion Market:**

This type of market deals with the purchase or sale of gold and silver. Bullion markets of Mumbai, Kolkata, Kanpur etc., are examples of such markets.

➤ **Capital Markets:**

New or going concerns need finance at every stage. Their financial needs are met by capital markets. They are of three types:

▪ **Money Market:**

It is a type of market where short term securities are exchanged. It provides short term and very short term finance to industries, banks, governments agencies and financial intermediates.

▪ **Foreign Exchange Market:**

It is an international market. This type of markets helps exporters and importers, in converting their currencies into foreign currencies and vice versa.

▪ **The Stock Market/Securities Market:**

This is a market where sales and purchases of shares, Debentures, bonds etc., of companies are dealt with. It is also known as securities market. Stock Exchanges of Mumbai, Kolkata, Chennai etc., are examples for this type of market.

### ❖ **On the Basis of Economics**

#### ➤ **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 or homogenous.

It should be remembered that such type of markets are rarely found.

#### ➤ **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.

### ❖ On the Basis of Transaction:

#### ➤ Spot Market:

In such markets, goods are exchanged and the physical delivery of goods takes place immediately.

#### ➤ Future Market:

In such markets, contracts are made over the price for future delivery. The dealing and settlement take place on different dates.

### ❖ On the Basis of Regulation:

#### ➤ Regulated Market:

These are types of markets which are organized, controlled and regulated by statutory measures.

Example: Stock Exchange of Mumbai, Chennai, Kolkata etc.

#### ➤ Unregulated Market:

A market which is not regulated by statutory measures is called unregulated market. This is a free market, where there is no control with regard to price, quality, commission etc. Demand and supply determine the price of goods.

### ❖ On the Basis of Time:

#### ➤ Very Short Period Market:



Markets which deal in perishable goods like, fruits, milk, vegetables etc., are called as very short period market. There is no change in the supply of goods. Price is determined on the basis of demand.

➤ **Short Period Market:**

In certain goods, supply is adjusted to meet the demand. The demand is greater than supply. Such markets are known as Short period Market.

➤ **Long Period Market:**

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

❖ **On the Basis of Volume:**

➤ **Wholesale Market:**

In wholesale market goods are supplied in bulk quantity to dealers/retailers. The goods and services are not sold to customers directly.

➤ **Retail Market:**

In retail market the goods are purchased from producer or wholesaler and sold to customers in small quantities by retailers.

❖ **On the Basis of Importance:**

➤ **Primary Market:**

The primary producers of farm sell their output or products through this type of markets to wholesalers or consumers. Such markets can be found in villages and mostly the products arrive from villages.

➤ **Secondary Market:**

In this market, the semi finished goods are marketed. Here finished goods are not sold. The commodities arrive from other markets. The dealings are commonly between wholesalers or between wholesalers and retailers.

➤ **Terminal Market:**

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

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

**On the basis of Economics:**

❖ **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.
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- ✓ There are restrictions on the movement of goods.

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## **UNIT – V ELEMENTS OF MARKETING**

### **LESSON 14 MARKETING AND MARKETING MIX**

#### **I. Choose the Correct Answers:**

1. The initial stage of Marketing system is-----
  - a. Monopoly system
  - b. Exchange to Money
  - c. Barter system**
  - d. Self producing
2. Who is supreme in the Market?
  - a. Customer**
  - b. Seller
  - c. Wholesaler
  - d. Retailer
3. In the following variables which one is not the variable of marketing mix?
  - a. Place Variable
  - b. Product Variable
  - c. Programme Variable**

d. Price Variable

4. Marketing mix means a marketing program that is offered by a firm to its target----- to earn profits through satisfaction of their wants.

a. Wholesaler

b. Retailer

**c. Consumer**

d. Seller

5. Which one is the example of Intangible Product?

**a. Education**

b. Mobiles

c. Garments

d. Vehicles

## **II. Very Short Answer Questions:**

**1. What is marketing?**

- Marketing is the performance of buying activities that facilitate to more flow of goods and service from producer to ultimate user.
- “Marketing is what a marketer does”

## **2. Define Marketing Mix.**

“Marketing mix is a pack of four sets of variables namely product variable, price variable, promotion variable, and place variable”.

**-Mr. Jerome McCarthy**

## **3. What is meant by Grading?**

It means classification of standardized products in to certain well defined classes.

## **4. Define Product.**

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

**-Philip Kotler**

### **Interior Questions:**

#### **1. Define Marketing.**

- “Marketing is concerned with the people and the activities involved in the flow of goods and services from the producer to the consumer”.

**-American Marketing Association.**

- “Marketing includes those business activities which are involved in the flow of goods and service from production to consumption”.

**-Converse**

## **2. What are the seven functions of marketing?**

G.B. Giles described seven functions of marketing:

- Marketing research
- Marketing Planning
- Product development
- Advertisement and sales promotion
- Selling and distribution
- After sale services and
- Public relations.

## **3. What is meant by Facilitating Functions?**

There are the functions which help of facilitate in the transfer of goods and services from the producer to consumer. They are not directly connected with the transfer of goods.

### **Facilitating Functions:**



- Financing
- Risk Bearing
- Market Information
- Standard
- Grading
- Branding
- Packing
- Pricing

**4. List out the types of risk bearing.**

- Time risk
- Place risk
- Competition risk
- Risk of change in demand
- Risk arising from natural calamities
- Human risks
- Political risks

**5. What is meant by Functions of Exchange?**

Exchange refers to transfer of goods and services for money's worth. This process can be divided into

### ❖ Buying and assembling:

- By Inspection
- By sample
- By Description
- By Grading

### ❖ Selling:

## 6. What is Marketing Mix Matrix?

Carefully positioning the product in each category will generate a better response from the target market.

### ❖ Traditional Marketing Mix:

- Product
- Price
- Promotion
- Place

### ❖ Modern Marketing Mix:

- People
- Process
- Programme

- Performance

**7. Name the place of weekly fire wood market and annual horse market.**

- There is a weekly market for Fire wood in Karaikudi.
- There is a Annual Market for Horse in Andhiyur in Tamil Nadu.

**III. Short Answer Questions:**

**1. What are the objectives of marketing?**

The following are the 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.

- To revive existing marketing function, if shortcomings are found.
- To take appropriate actions in the course of actions.

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

### **Need for Market:**

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

### **Concept of Marketing:**

- **What I can sell?**

Make what you can sell, but do not try to sell what you can make.

- **Shall I first create products?**

No, first create a customer, then create products.

- **Shall I love my products?**

No, love your customers and not the products.

- **Who is supreme in markets?**

Customer is supreme or king.

- **Who will shape my decisions?**

Customer's preferences shape your decisions.

### **3. What are the factors affecting Price of product?**

#### **Factors affecting Price of product/service;**

- **Internal Factors:**

- ✓ Marketing Objectives
- ✓ Marketing Mix Strategy
- ✓ Organizational considerations
- ✓ Costs
- ✓ Organization Objectives

- **External Factors:**

- ✓ The market and demand
- ✓ Competition
- ✓ Customers
- ✓ Suppliers
- ✓ Legal factors
- ✓ Regulatory factors

**4. What do you mean by marketing mix? Describe any two elements.**

**Marketing mix:**

“Marketing mix is a pack of four sets of variables namely product variable, price variable, promotion variable, and place variable”.

-Mr. Jerome McCarthy

**Elements of marketing mix:**

- **Product**
- **Price**
- **Promotion**
- **Place**

**❖ Product:**

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

❖ **Price:**

Price is the value of a product expressed in monetary terms. It is the amount charged for the product. According to Philip Kotler “Price is the amount of money charged for a product or service, or the sum of the values that consumers exchange for the benefits of having or using the product or service”.

**IV. Long Answer Questions:**

**1. Discuss about the Evolution of marketing.**

❖ **Barter System:**



The goods are exchanged against goods, without any other medium of exchange, like money.

❖ **Production Orientation:**

This was a stage where producers, instead of being concerned with the consumer preferences, concentrated on the mass production of goods for the purpose of profit. They cared very little about the customers.

❖ **Sales Orientation:**

The stage witnessed major changes in all the spheres of economic life. The selling became the dominant factor, without any efforts for the satisfaction of the consumer.

❖ **Marketing Orientation:**

Customers importance was realized but only as a means of disposing of goods produced. Competition became stiffer. Aggressive advertising, personal selling, large scale sales promotion etc. are used as tools to boost sales.

❖ **Consumer Orientation:**

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

❖ **Management Orientation:**

The marketing function assumes a managerial role to co-ordinate all interactions of business activities with the objective of planning, promoting and distributing want-satisfying products and services to the present and potential customers.

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

❖ **To the Society:**

- Marketing is a connecting link between the consumer and the producer.
- Marketing helps in increasing the living standard of people.
- Marketing helps to increase the nation's income.

- Marketing process increases employment opportunities.
- Marketing creates modern cultivators.
- Marketing 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.
- Marketing includes all activities in the creation of utilities-form, place, time and possession.
- A reduction in the cost of marketing is a direct benefit to society.
- Marketing adds value of goods by changing their time and place of consumption.

❖ **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.**

- **Product:**

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

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

- **Price:**

Price is the value of a product expressed in monetary terms. It is the amount charged for the product. According to Philip Kotler “Price is the amount of money charged for a product or service, or the sum of the values that consumers exchange for the benefits of having or using the product or service”.

**Factors affecting Price of product/service;**

▪ **Internal Factors:**

- ✓ Marketing Objectives
- ✓ Marketing Mix Strategy
- ✓ Organizational considerations
- ✓ Costs
- ✓ Organization Objectives

▪ **External Factors:**

- ✓ The market and demand
- ✓ Competition
- ✓ Customers
- ✓ Suppliers

- ✓ Legal factors
- ✓ Regulatory factors

- **Place (Physical Distribution):**

An excellent quality product, with a competitive price structure, backed up by efficient promotional activities, will be a waste if it is not moved from the place of production to the place of consumption at an appropriate time. The fourth element of product mix, namely place or physical distribution facilitates the movement of products from the place of manufacture to the place of consumption at the right time.

- **Promotion:**

An excellent product with competitive price cannot achieve a desired success and acceptance in market, unless and until its special features and benefits are conveyed effectively to the potential consumers.

## **Interior Questions:**

### **1. Explain the functions of Marketing.**

According to Clark and Clark, this is widely accepted by one and all.

Functions of marketing are classified into three types.

1. Functions of Exchange
2. Functions of Physical Supply
3. Facilitating Functions.

#### **❖ Functions of Exchange:**

Exchange refers to transfer of goods and services for money's worth. This process can be divided into

#### **❖ Buying and assembling:**

- By Inspection
- By sample
- By Description
- By Grading

#### **❖ Selling:**



## ❖ **Functions of Physical Supply:**

There are two important functions under this classification:

### ▪ **Transportation**

Transport means carrying of goods, materials and men from one place to another. It plays an important role in the marketing. It creates place utility by moving goods from the place where they are needed. Various types of types of transport are used for carrying goods like

- a. Land transport
- b. Water transport and
- c. Air transport

### ▪ **Storage and Ware Housing**

#### **Storage**

Storage is another function of marketing process and it involves the holding and preservation of goods from the time they are produced to the time they are consumed.

## **Warehousing**

Warehouses create time utility by storing the goods throughout the year and releasing them as and when they are needed. Several types of warehouses are used for storage of goods, which are as follows.

- ✓ Private warehouses
- ✓ Public warehouses
- ✓ Bonded warehouses

### **❖ Facilitating Functions:**

There are the functions which help of facilitate in the transfer of goods and services from the producer to consumer. They are not directly connected with the transfer of goods.

### **Facilitating Functions:**

- Financing
- Risk Bearing
- Market Information
- Standard

- Grading
- Branding
- Packing
- Pricing

➤ **Financing:**

- a. Long-term finance
- b. Medium-term finance
- c. Short-term finance

➤ **Risk Bearing:**

- a. Time risk
- b. Place risk
- c. Competition risk
- d. Risk of change in demand
- e. Risk arising from natural calamities
- f. Human risks
- g. Political risks

➤ **Market Information:**

According to Clark and Clark market information means “all the facts, estimates, opinions and other information used in marketing of goods”.

➤ **Standardization:**

It means establishment of certain standards based on intrinsic qualities of a commodity. The quality may be determined on the basis of various factors like size, colors, taste, appearance etc.

➤ **Grading:**

It means classification of standardized products in to certain well defined classes.

➤ **Branding:**

It means giving a name or symbol to a product in order to differentiate it from competitive products.

➤ **Packing:**

It means wrapping and crating of goods before distribution. Goods are packed in packages or containers in order to protect them against breakage, leakage, spoilage and damage of any kind.

➤ **Pricing:**

Pricing is perhaps the most important decision taken by a businessman. It is the decision upon which the success or failure of an enterprise depends to a large extent. Therefore, price must be determined only after taking all the relevant factors to consideration.