

# Loyola



# EC - COMMERCE

# 12

This special guide is prepared  
on the basis of New Syllabus  
and Govt. Key

## Loyola

### Publications

Vivek Illam, No. 19, Raj Nagar, N.G.O. 'A' Colony,  
Palayamkottai, Tirunelveli - 627 007.

Ph: 0462 - 2553186

Cell : 94433 81701, 94422 69810, 90474 74696

₹. 265/-

★ ***Less Strain Score More***



# www.Padasalai.Net

**Padasalai Official – Android App – Download Here**



படங்களை தொடுக! பாடசாலை வலைதளத்தை சமூக ஊடகங்களில்  
பின்தொடர்க!! உடனுக்குடன் புதிய செய்திகளை Notifications-ல் பெறுக!



Zoom



Touch Below Links



Download!

<b>12<sup>th</sup> Standard</b>	<a href="#">Syllabus</a>	<a href="#">Books</a>	<a href="#">Study Materials – EM</a>	<a href="#">Study Materials - TM</a>	<a href="#">Practical</a>	<a href="#">Online Test (EM &amp; TM)</a>
	<a href="#">Monthly Q&amp;A</a>	<a href="#">Mid Term Q&amp;A</a>	<a href="#">Revision Q&amp;A</a>	<a href="#">PTA Book Q&amp;A</a>	<a href="#">Centum Questions</a>	<a href="#">Creative Questions</a>
	<a href="#">Quarterly Exam</a>	<a href="#">Half Yearly Exam</a>	<a href="#">Public Exam</a>	<a href="#">NEET</a>		

<b>11<sup>th</sup> Standard</b>	<a href="#">Syllabus</a>	<a href="#">Books</a>	<a href="#">Study Materials – EM</a>	<a href="#">Study Materials - TM</a>	<a href="#">Practical</a>	<a href="#">Online Test (EM &amp; TM)</a>
	<a href="#">Monthly Q&amp;A</a>	<a href="#">Mid Term Q&amp;A</a>	<a href="#">Revision Q&amp;A</a>	<a href="#">Centum Questions</a>	<a href="#">Creative Questions</a>	
	<a href="#">Quarterly Exam</a>	<a href="#">Half Yearly Exam</a>	<a href="#">Public Exam</a>	<a href="#">NEET</a>		

<b>10<sup>th</sup> Standard</b>	<a href="#">Syllabus</a>	<a href="#">Books</a>	<a href="#">Study Materials – EM</a>	<a href="#">Study Materials - TM</a>	<a href="#">Practical</a>	<a href="#">Online Test (EM &amp; TM)</a>
	<a href="#">Monthly Q&amp;A</a>	<a href="#">Mid Term Q&amp;A</a>	<a href="#">Revision Q&amp;A</a>	<a href="#">PTA Book Q&amp;A</a>	<a href="#">Centum Questions</a>	<a href="#">Creative Questions</a>
	<a href="#">Quarterly Exam</a>	<a href="#">Half Yearly Exam</a>	<a href="#">Public Exam</a>	<a href="#">NTSE</a>	<a href="#">SLAS</a>	

<b>9<sup>th</sup> Standard</b>	<a href="#">Syllabus</a>	<a href="#">Books</a>	<a href="#">Study Materials</a>	<a href="#">1<sup>st</sup> Mid Term</a>	<a href="#">2<sup>nd</sup> Mid Term</a>	<a href="#">3<sup>rd</sup> Mid Term</a>
	<a href="#">Quarterly Exam</a>	<a href="#">Half Yearly Exam</a>	<a href="#">Annual Exam</a>	<a href="#">RTE</a>		

<b>8<sup>th</sup> Standard</b>	<a href="#">Syllabus</a>	<a href="#">Books</a>	<a href="#">Study Materials</a>	<a href="#">1<sup>st</sup> Mid Term</a>	<a href="#">2<sup>nd</sup> Mid Term</a>	<a href="#">3<sup>rd</sup> Mid Term</a>
	<a href="#">Term 1</a>	<a href="#">Term 2</a>	<a href="#">Term 3</a>	<a href="#">Public Model Q&amp;A</a>	<a href="#">NMMS</a>	<a href="#">Periodical Test</a>

<b>7<sup>th</sup> Standard</b>	<a href="#">Syllabus</a>	<a href="#">Books</a>	<a href="#">Study Materials</a>	<a href="#">1<sup>st</sup> Mid Term</a>	<a href="#">2<sup>nd</sup> Mid Term</a>	<a href="#">3<sup>rd</sup> Mid Term</a>
	<a href="#">Term 1</a>	<a href="#">Term 2</a>	<a href="#">Term 3</a>	<a href="#">Periodical Test</a>	<a href="#">SLAS</a>	

<b>6<sup>th</sup> Standard</b>	<a href="#">Syllabus</a>	<a href="#">Books</a>	<a href="#">Study Materials</a>	<a href="#">1<sup>st</sup> Mid Term</a>	<a href="#">2<sup>nd</sup> Mid Term</a>	<a href="#">3<sup>rd</sup> Mid Term</a>
	<a href="#">Term 1</a>	<a href="#">Term 2</a>	<a href="#">Term 3</a>	<a href="#">Periodical Test</a>	<a href="#">SLAS</a>	

<b>1<sup>st</sup> to 5<sup>th</sup> Standard</b>	<a href="#">Syllabus</a>	<a href="#">Books</a>	<a href="#">Study Materials</a>	<a href="#">Periodical Test</a>	<a href="#">SLAS</a>	
	<a href="#">Term 1</a>	<a href="#">Term 2</a>	<a href="#">Term 3</a>	<a href="#">Public Model Q&amp;A</a>		

<b>Exams</b>	<a href="#">TET</a>	<a href="#">TNPSC</a>	<a href="#">PGTRB</a>	<a href="#">Polytechnic</a>	<a href="#">Police</a>	<a href="#">Computer Instructor</a>
	<a href="#">DEO</a>	<a href="#">BEO</a>	<a href="#">LAB Asst</a>	<a href="#">NMMS</a>	<a href="#">RTE</a>	<a href="#">NTSE</a>

<b>Portal</b>	<a href="#">Matrimony</a>	<a href="#">Mutual Transfer</a>	<a href="#">Job Portal</a>
---------------	---------------------------	---------------------------------	----------------------------

<b>Volunteers</b>	<a href="#">Centum Team</a>	<a href="#">Creative Team</a>	<a href="#">Key Answer Team</a>
-------------------	-----------------------------	-------------------------------	---------------------------------

<b>Downloads</b>	<a href="#">LESSON PLAN</a>	<a href="#">Department Exam</a>	<a href="#">Income Tax</a>	<a href="#">Forms &amp; Proposals</a>	<a href="#">Fonts</a>	<a href="#">Downloads</a>
	<a href="#">Proceedings</a>	<a href="#">GO's</a>	<a href="#">Regulation Orders</a>	<a href="#">Pay Orders</a>	<a href="#">Panel</a>	



**Padasalai – Official Android App – [Download Here](#)**



Kindly Send Your Study Materials, Q&A to our Email ID – [Padasalai.net@gmail.com](mailto:Padasalai.net@gmail.com)

Published by

**Copy right : © LOYOLA PUBLICATION.**

All rights reserved. No part of this publication may be reproduced or distributed in any form or by any means, or stored in a data base or retrieval system without the prior written Permission of the publisher.

**Author :**

**Mr. S.Syed Shahul Hameed Raja**, M.Com., M.Ed., M.Phil.

---

***Loyola***  
**Publications**





## PREFACE

Dear Students

- ❖ We **Loyola Publications** sincerely thank you for the support you have extended to us so far.
- ❖ We take pride of releasing Loyola Commerce for +2 standard Edition.
- ❖ **XII<sup>th</sup> Commerce** book has been made EC - bearing in mind the needs and grasping power of the students.
- ❖ The subject matter given is simple, lucid and self-explanatory for students to score good results in the public exam.

### SPECIAL FEATURES OF THE BOOK

- ❖ This guide has been framed based on the New 100 marks pattern.
- ❖ This guide will be helpful for both high achievers and slow learners.
- ❖ Answers include 'Key Points' to be taken into account during public exam paper valuation.
- ❖ Other than textual questions enough additional questions with the right answers are given
- ❖ This guide is prepared in a special way that students can study as well as understand the answers easily.
- ❖ Included PTA questions and Govt. Question with their key.

### TIPS TO GET CENTUM IN COMMERCE

- ❖ Use memory techniques
- ❖ Read - study, recall and revise systematically so as to store it in the LTM (Long Term Memory) file.
- ❖ Above all learn thoroughly with involvement.

Enclosing with prayers and wishes

**LOYOLA PUBLICATIONS**



## CONTENTS

Unit No	Chapter	TITLES	Page No
<b>I</b>	1	Principles Of Management	5
	2	Functions Of Management	13
	3	Management By Objectives (MBO) And Management By Exception (MBE)	18
<b>II</b>	4	Introduction To Financial Markets	22
	5	Capital Market	28
	6	Money Market	34
<b>III</b>	7	Stock Exchange	41
	8	Securities Exchange Board Of India (SEBI)	49
<b>IV</b>	9	Human Resource Management	55
	10	Recruitment Methods	61
	11	Employee Selection Process	69
	12	Employee Training Method	79
<b>V</b>	13	Concept Of Market And Marketer	86
	14	Marketing And Marketing Mix	94
	15	Recent Trends In Marketing	101
<b>VI</b>	16	Consumerism	107
	17	Rights, Duties & Responsibilities of consumers	114
	18	Grievance Redressal Mechanism	118
<b>VII</b>	19	Environmental Factors	126
	20	Liberalization, Privatization and Globalization	133
<b>VIII</b>	21	The Sale of Goods Act, 1930	138
	22	The Negotiable Instruments Act, 1881	145
<b>IX</b>	23	Elements of Entrepreneurship	158
	24	Types of Entrepreneurs	166
	25	Government Schemes for Entrepreneurial Development	174
<b>X</b>	26	Companies Act, 2013	181
	27	Company Management	189
	28	Company Secretary	198
<b>PARENT TEACHER ASSOCIATION - MODEL QUESTIONS PAPERS</b>			<b>208</b>
<b>GOVT. QUESTION - MARCH 2020</b>			<b>219</b>





## CHAPTER - 1

**PRINCIPLES OF MANAGEMENT****PART I - TEXTBOOK EVALUATION****I. Choose the correct answer.**

1. Management is what a \_\_\_\_\_ does? **PTA - 1**  
 a) Manager                      b) Subordinate                      c) Supervisor                      d) Superior  
**Ans: a) Manager**
2. Management is an \_\_\_\_\_. **PTA - 1**  
 a) Art                      b) Science                      c) Art and Science                      d) Art or Science  
**Ans: c) Art and Science**
3. Scientific management is developed by **PTA - 2**  
 a) Fayol                      b) Taylor                      c) Mayo                      d) Jacob  
**Ans: b) Taylor**
4. Dividing the work into small tasks is known as  
 a) Discipline                      b) Unity                      c) Division of work                      d) Equity  
**Ans: c) Division of work**
5. With a wider span, there will be \_\_\_\_\_ hierarchical levels. **PTA - 6**  
 a) More                      b) Less                      c) Multiple                      d) Additional  
**Ans: b) Less**

**II. Very short answer questions.**

1. What is Management? **PTA - 1**  
 “Management” is a distinct ongoing process of allocating inputs of and organisation [Human and Economic resources] by typical managerial functions [Planning, organising, Directing and Controlling] for the purpose of achieving stated objectives [Output of goods and Services] desired by its customer.
2. List out the management tools. (BASED) **Mar 2020**  
 1. Business Law                      2. Accounting                      3. Statistics  
 4. Economics                      5. Data processing
3. Who is a manager?  
 “Manager” is a person who is responsible for Planning, Organising, Directing and Controlling the efforts of others [staff] and the organisation.
4. State the meaning of Authority. **PTA - 3**  
 “Authority” means the right of a superior given to his subordinate to get work from him.

## 5. What do you mean by Span of management?

PTA - 2

- Can a superior effectively manage, supervise and control how many number of subordinates.
- It is known as “Span of control” or “Span of Management”

## III. Short answer questions.

## 1. Define the term management.

PTA - 1

“Management is a multi purpose organ that manages a business, and manages manager and manages workers and work”. – **PETER F. DRUCKER.**

## 2. Is management an Art or Science?

PTA - 2

- Management is both Art and Science.
- Management is neither a science nor an Art. But it is a combination of both.
- It is a science because it contains principles.
- It is an Art, it requires certain personal skills to achieve the desired objective.

## 3. Differentiate management from Administration. MA CARD

PTA - 2

No.	Basis of Difference	Management	Administration
1	Meaning	An organised way of managing people and things of a business organization is called the ‘Management’	The process of administering an organisation by a group of people is known as the ‘Administration’
2	Authority	Middle and Lower level.	TOP level
3	Concerned with	Policy implementation	Policy formulation
4	Area of operation	It works under administration	It has full control over the activities of the organisation.
5	Role	Executive	Decisive
6	Decides	Who will do the work? and How it will be done?	What should be done? When it should be done?

## 4. What are the principles of Taylor?

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

## 5. What determines the span of management?

PTA - 2

- **Span of Management has two implications:**
  - i) Influences the complexities of the individual Manager’s job.
  - ii) Determine the shape or configuration of the Organisation.
- **It has two horizontal levels of span of management.**
  - i) Wider span
  - ii) Narrow span
- Wider – Span – Less hierarchical levels – more subordinates – Less expensive.
- Narrow – Span – more hierarchical levels – less subordinates – more expensive.



## IV. Long answer questions

## 1. Explain the concept of management.

## 1. Body of Knowledge :

- Management has now developed into a specialised body of management theory and philosophy.
- Management literature is growing in all countries.

## 2. Management Tools :

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

## 3. Separate Discipline :

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

## 4. Specialisation :

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

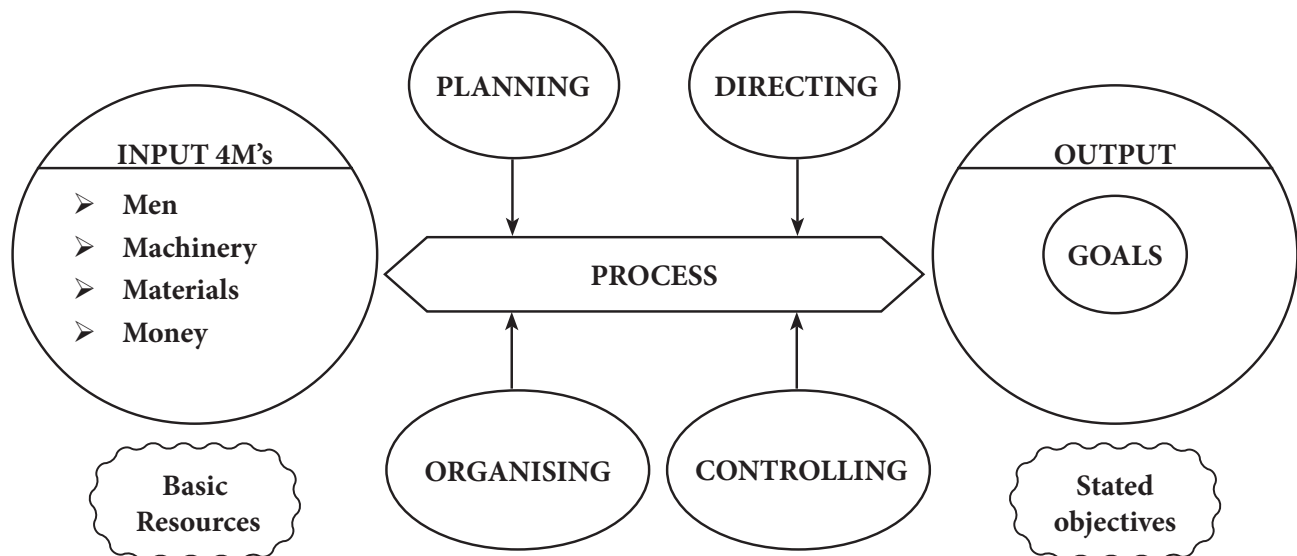
## 5. Code of Conduct :

- Enlightened businessmen have recognised that business management is a social institution and it has social responsibilities to be fulfilled towards customers, employees, and the public or community.

## 6. Professional Association :

- The Business Management Associations in many countries 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.



- Management is
- Co-ordination – Co-ordinate all activities - 4M's - Men, Machinery, Materials, Money
  - Process – Functions of planning, organising, Directing, controlling
  - Purposive process – Results - Stated objectives
  - Social process – Getting things done through others.
  - Cyclical process – Ongoing process - planning - action - control - replanting replanning.

## 3. Describe the principles of scientific management. (S) (HM) (CD)

PTA - 1

**Science, not Rule of Thumb:**

- Rule of thumb means decisions taken by managers as per their personal judgements.
- Taylor says, even a small production activity like loading – iron sheets into box cars can be scientifically planned.
- It saves time and energy of human.

**Harmony, not Discard:**

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

**Mental Revolution:**

- Taylor suggested complete mental revolution on the part of both workers and Management.
- It means that there should be complete change in the attitude and out look of both workers and management.
- It becomes possible – Teamwork – Sharing profits – Division of work etc.

**Co-operation, not Individualism:**

- It is an extension of principle of “Harmony, not discord”.
- It lays stress on mutual co-operation between workers and the management.
- Both workers and management should realize the importance of each other.

**Development of Each and Every person:**

- Efficiency of any organisation also depends on the skills and capabilities of its employees to a great extent.
- Thus, providing to the workers was considered essential in order to learn the best method.
- It helps to attain the efficiency and property for both workers and management.

## 4. Explain the principles of modern management. [DAD] [USRU]

PTA - 2

**Division of Work:**

- The whole work divided into small tasks.
- It is known as Departmentation.
- The specialization of the work force according to the skills of a person.
- Specialization leads to increase the efficiency of labour.
- Thus productivity increased.

**Authority and Responsibility:**

- Authority means the right of a superior given to the subordinate to get work from him.
- Responsibility means obligation for performance.

**Discipline:**

- It is obedience, proper conduct, in relation to others, respect of authority etc.
- It is essential for the smooth functioning of all organisations.

**Unity of Command:**

- One Employee should have only one Boss.
- Each employee should receives orders from one superior.
- If an employee receives orders from more than one superior, it leads to confusion and conflict.

- The line of Authority must flow downwards from the Highest Executive to lower level workers. [Top to Bottom]
- It is also known as “Chain of Command”.

**Remuneration:**

- Workers must be paid sufficiently.
- It is the chief motivation of employees.
- It influences greater productivity.
- Remuneration should be fair, reasonable and rewarding of effort.

### Unity of Direction:

- All related activities should be put under one group.
- There should be one plan of action for them.
- They should be under the control of one Manger.

## PART II - ADDITIONAL QUESTIONS

**I. Choose the correct answer.**

- ## 1. Characteristics features of management concepts

- a) Management tools                      b) Separate discipline  
c) Specialisation                        d) All the above                      **Ans: d) All the above**

2. To manage is to forecast, to plan, to organise, to command, to co-ordinate and to control said by

- a) Henry Fayol      b) Peter F. Drucker      c) Taylor      d) NOTA  
**Ans: a) Henry Fayol**

3. The authority of middle and lower level is \_\_\_\_\_

- a) Administration      b) Management      c) Control      d) Planning  
**Ans: b) Management**

4. What should be done? and when is should be done decided by \_\_\_\_\_

- a) Management      b) Supervisor      c) Director      d) Administrator  
**Ans: d) Administrator**

5. Executive and governing functions are done by \_\_\_\_\_

- a) Manager                  b) Supervisor                  c) Worker                  d) Administrator  
**Ans: a) Manager**

- ## 6. Management is a science or Art?

- a) An art  
b) A science  
c) Both Science and Art  
d) Both are not Science or Art
- Ans: c) Both Science and Art**

7. The Authority of Top level is \_\_\_\_\_

- a) Management      b) Administration      c) Both      d) NOTA  
**Ans: b) Administration**

8. One employee should receive order from only one boss is known as \_\_\_\_\_

- a) Unity of command    b) Unity of objective    c) Unity of direction    d) Unity of strength  
**Ans: a) Unity of command**

9. Superiors ranging from top management to the lowest rank is called \_\_\_\_\_

- a) Responsibility      b) Authority      c) Remuneration      d) Scalar chain

Ans: d) Scalar chain

10. With the narrow span, the hierarchical levels \_\_\_\_\_

- a) Decreases      b) Increases      c) Ups and downs      d) Stagnant

Ans: b) Increases

11. Find the odd one out:

- a) Harmony, Not Discord      b) Mental Revaluation  
c) Cooperation, not individualisation      d) Order

Ans: d) Order

12. Find the odd one out:

- a) Division of work      b) Scalar chain  
c) Equity      d) Science not thum of Rule

Ans: d) Science not thum of Rule

13. Which one of the following is not correctly matched?

- a) Business law – Management Tool      b) Specialisation – Highly qualified  
c) Code of conduct – Social consience      d) Behavioural school – Process of planning

Ans: d) Behavioural school – Process of planning

14. Which one of the following is correctly matched?

- a) Cyclical process – On going process      b) Purposive process – Co-ordinate  
c) Social process – Goal oriented      d) Not Individualisation – Separation

Ans: a) Cyclical process – On going process

15. Which is the correct statement?

- i) Division of work is whole work divided into small tasks.  
ii) Discipline is obedience and respect of authority  
iii) Unity of direction is related activities put under many groups.

- a) (i) is correct      b) (i) and (ii) are correct  
c) All are correct      d) All are wrong

Ans: b) (i) and (ii) are correct

## II. Match the following

1. Match List I with List II

List – I		List – II	
i	Mental Revolution	1	Morale in work place
ii	Scalar chain	2	Proper conduct
iii	Discipline	3	Top management to the lowest rank
iv	Team spirit	4	Change in attitude

- a) iv-1, iii-2, ii-3, i-4

- b) iv-2, iii-1, ii-3, i-4

- c) iv-3, iii-4, ii-1, i-1

- d) iv-4, iii-3, ii-2, i-1

Ans: a) iv-1, iii-2, ii-3, i-4

## 2. Match List I with List II

List – I		List – I	
i	Initiative	1	New ideas
ii	Social Process	2	Key person
iii	Manager	3	Done through others
iv	Management	4	A multi purpose organ

a) i-1, ii-3, iii-2, iv-4

b) i-1, ii-2, iii-4, iv-3

c) i-1, ii-4, iii-3, iv-2

d) i-1, ii-2, iii-3, iv-4 **Ans: a) i-1, ii-3, iii-2, iv-4**

## III. Assertion and Reason

1. **Assertion (A)** : One employee should receive orders from one superior.  
**Reason (R)** : If he receives orders from more superiors, it creates confusion and conflict.

- a) Both (A) and (R) are True. (R) is the correct explanation of (A)  
 b) Both (A) and (R) are False. (R) is the correct explanation of (A)  
 c) Both (A) and (R) are True. (R) is not the correct explanation of (A)  
 d) (A) is True (R) is False

**Ans: a) Both (A) and (R) are True. (R) is the correct explanation of (A)**

2. **Assertion (A)** : All related activities should be put under one group.  
**Reason (R)** : There should be under the control of one manager.

- a) (A) is True (R) is False  
 b) (A) is False (R) is True  
 c) Both (A) and (R) are True  
 d) Both (A) and (R) are False

**Ans: c) Both (A) and (R) are True.**

3. **Assertion (A)** : Equity must be treated kindly and justice.  
**Reason (R)** : Managers should be fair and partial.

- a) (A) is True (R) is False  
 b) (A) is False (R) is True  
 c) (A) and (R) are True  
 d) (A) and (R) are False

**Ans: a) (A) is True (R) is False**

## IV. Very short answer questions:

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

- i) Maximum productivity and profitability.  
 ii) Maximum human welfare and satisfaction.

## V. Short answer questions:

1. Explain the principal ideas of school of management.

**Functional School** : Process of planning, organising, Directing and Controlling.**Behavioural School** : Process through personnel or Human Resource.**Quantitative School** : To improve the decision making.**Systems Approach** : Inputs – Process – Outputs.**Contingency Approach** : Process in ever changing business environment.

## VI. Long answer questions:

## 1. What are the characteristics (Features) of Management? (Concepts)

**Body of knowledge:**

Management knowledge is the best passport to enter the world of employment either in business world or Government or private.

**Management Tools:**

- Business Laws
- Accounting
- Statistics
- Economics
- Data Processing

**Separate Discipline:**

Special courses are becoming popular.

Financial	] Management courses.
Marketing	
Export	

**Specialisation:**

There is growing tendency to select and appoint highly qualified, trained and experienced persons to manage the business.

**Code of Conduct:**

- Social responsibilities to be fulfilled towards customers, employees, public or community.
- Corporations now have social conscience and awareness.

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

- Can a superior effectively manage, supervise and control how many number of subordinates.
- It is known as “Span of Control” or “Span of Management” or “Span of Supervision”.
- **The span of management has two implications:**
  - i) Influences the complexities of the individual Manager’s job.
  - ii) Determine the shape or configuration of the organisation.
- **It has two horizontal levels of span of management.**
  - i) Wider span.
  - ii) Narrow Span.

**Wider-Span:**

- Wider-Span– Less hierarchical levels – More subordinates – Less expensive.
- It imposes more challenges.
- It is very difficult for a superior to manage large number of subordinates.
- In this structure managers get reduced and remuneration saved.

**Narrow Span:**

- Narrow-Span- more hierarchical levels – less subordinates – more expensive.
- With more levels of hierarchy the communication suffers – drastically.
- It takes lot of time to reach the appropriate points and hence the actions delayed.
- In this structure less number of subordinates under one superior requires more managers to be employed.

## Unit

## I

## CHAPTER - 2

## FUNCTIONS OF MANAGEMENT

## PART I - TEXTBOOK EVALUATION

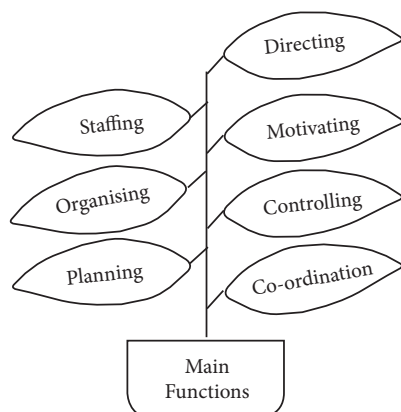
## I. Choose the correct answer.

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

## II. Very short answer questions.

1. Write a short note about planning. PTA - 3  
 ➤ “Thinking before doing” or “Look Before you Leap” are the traditional proverbs which provide a basis or logic for planning.  
 ➤ Planning is the primary function of management.  
 ➤ Nothing can be performed without planning.
2. What is meant by Motivation?  
 ➤ The goals are achieved with the help of motivation.  
 ➤ It includes increasing the speed of performance of a work and developing a willingness on the part of workers.  
 ➤ It may be monetary (cash) or non-monetary (kind).
3. What is meant by Controlling? PTA - 4  
 ➤ Controlling is performed to evaluate the performance of employees and deciding increments and promotion decision.  
 ➤ It helps to identify under performers and arranging remedial training for them.  
 ➤ It Compares the actual performance with predetermined standards.
4. List the subsidiary functions of management.  
 ➤ Innovation                      ➤ Representation  
 ➤ Decision - making                      ➤ Communication
5. What is the Traditional Proverb used in planning?  
 “Thinking before doing” or “Look Before you Leap” are some of the usual traditional proverbs.



**III. Short answer questions.****1. List out the main functions of management?**

- Planning
- Staffing
- Motivation
- Co-ordination
- Organising
- Directing
- Controlling

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

- Staffing comprises the activities of selection and placement of competent personnels.
- It refers to selection right persons in the right jobs.
- 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 personal and organisation to face the changes made in the business world.
- Continuous changes are being made in the business.
- It includes developing new products, new material, new techniques in production, new package, new design of a product and cost and reduction.

**4. What is meant by co-ordination?**

- Co-ordination is the synchronisation of the actions of all individuals, working in the enterprise in different capacities. So as to lead the most successful attainment of the common objectives.

- Co-ordination is included in every managerial function.

Eg i) Planning and co-ordination

ii) Organisation and Co-ordination

iii) Staffing and co-ordination

iv) Directing and Co-ordination

v) Motivation and co-ordination and

iv) controlling and co-ordination.

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

Employees are kept informed of all necessary matters by circulars, instructions manuals, newsletters, notice - boards, meeting, participative mechanism etc.

**IV. Long answer questions.****1. Explain the various functions of management.**

PTA - 4

**Main Functions:**

**Planning:**

- “Thinking before doing” or “Look Before you Leap” are the traditional proverbs which provide a basis or logic for planning.
- Planning is the primary functions of the management.
- Nothing can be performed without planning.

**Motivating:**

- The goals are achieved with the help of motivation.
- It includes increasing speed of performance of a work and developing a willingness on the part of workers.
- It may be monetary [cash] or non-monetary [kind].

**Controlling:**

- It is performed to evaluate the performance of employees and deciding increments and promotion decisions.
- It helps to identify under performers and arranging remedial training for them.
- It compares the actual performance with predetermined standards.[other functions - organising - Directing - Co-ordination - Staffing]



**Subsidiary Functions:****Innovation:**

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

**Decision making:**

- Every employee of an organisation has to take a number of decisions every day.
- Decision making helps in smooth functioning of an organisation.[Other Functions - Representation - Communication]

**PART II - ADDITIONAL QUESTIONS****I. Choose the correct answer.**

1. Which is the Secondary Function of Management?  
a) Innovation                      b) Planning                      c) Motivation                      d) Controlling  
**Ans: a) Innovation**

---

2. “Look Before you Leap” is an usual traditional proverb which provides a basis or logic for  
a) Organising                      b) Planning                      c) Controlling                      d) Decision Making  
**Ans: b) Planning**

---

3. \_\_\_\_\_ is the process of establishing harmonious relationship among the members of an organisation.  
a) Staffing                      b) Directing                      c) Organising                      d) Co-ordination  
**Ans: d) Co-ordination**

---

4. Selection and placement of competent personnel is known as \_\_\_\_\_  
a) Communicating                      b) Innovating                      c) Motivating                      d) Staffing  
**Ans: d) Staffing**

---

5. \_\_\_\_\_ is performed to evaluate the performance of employees.  
a) Staffing                      b) Controlling                      c) Selecting                      d) Training  
**Ans: b) Controlling**

---

6. Goals are achieved with the help of \_\_\_\_\_  
a) Motivation                      b) Depreciation                      c) Evaluation                      d) Examination  
**Ans: a) Motivation**

---

7. Nothing can be performed without \_\_\_\_\_  
a) Planning                      b) Motivating                      c) Controlling                      d) Co-ordination  
**Ans: a) Planning**

---

8. Which one of the following is correctly matched?  
a) Planning – Work assigned                      b) Representation – Right man for the right job  
c) Motivation – Fair treatment                      d) Co-ordination – Communication  
**Ans: c) Motivation – Fair treatment**

---

9. Which one of the following is correctly matched?  
a) Controlling – Remedial Training                      b) Innovation – New Techniques  
c) Communication – Representative                      d) Staffing – Selection  
**Ans: c) Communication – Representative**

10. Distribution of work in groupwise or sectionwise is called as \_\_\_\_\_

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

Ans: d) Organising

11. Find the odd one out:

- a) Primary Function      b) Harmonious Relationship  
c) Evaluate the performance      d) Developing new materials

Ans: d) Developing new materials

12. Find the odd one out:

- a) Representative of a company  
b) Opinion from one person to another  
c) Synchronization of the actions of all individuals  
d) Decision makings

Ans: c) Synchronization of the actions of all individuals

## II. Match the following

1. Match List I with List II

List – I		List – II	
i	Planning	1	Guiding and Communicating
ii	Innovation	2	Performance employees
iii	Controlling	3	Face the changes
iv	Directing	4	Think Before you Act

a) i-4, ii-3, iii-2, iv-1

b) i-4, ii-1, iii-3, iv-2

c) i-4, ii-2, iii-1, iv-3

d) i-4, ii-3, iii-2, iv-1      Ans: a) i-4, ii-3, iii-2, iv-1

2. Match List I with List II

List – I		List – II	
i	Organising	1	Transmission of human thoughts
ii	Co-ordination	2	Representative of a Company
iii	Representation	3	Integration of actions
iv	Communication	4	Placement of personnel

a) i-4, ii-3, iii-2, iv-1

b) i-1, ii-2, iii-4, iv-2

c) i-2, ii-3, iii-4, iv-1

d) i-3, ii-4, iii-1, iv-2      Ans: a) i-4, ii-3, iii-2, iv-1

3. Match List I with List II

List – I		List – II	
i	Decision making	1	Writing a book
ii	Motivating	2	Selection
iii	Staffing	3	Incentive
iv	Planning	4	Smooth functioning

a) i-1, ii-3, iii-2, iv-4

b) i-4, ii-3, iii-2, iv-1

c) i-4, ii-2, iii-1, iv-3

d) i-1, ii-4, iii-2, iv-4      Ans: b) i-4, ii-3, iii-2, iv-1

**III. Assertion and Reason**

1. **Assertion (A)** : Placement of right person in the right jobs.

**Reason (R)** : The success of any enterprise depends on performance of staffing.

- a) (A) is True (R) is False
- b) (A) is False (R) is True
- c) Both (A) and (R) are True
- d) Both (A) and (R) are False

**Ans: c) Both (A) and (R) are True**

2. **Assertion (A)** : Planning is the primary function of management.

**Reason (R)** : Anything can be performed without planning.

- a) (A) is True (R) is False
- b) (A) is False (R) is True
- c) Both (A) and (R) are True
- d) Both (A) and (R) are False

**Ans: a) (A) is True (R) is False**

**IV. Very short answer**

1. **How do you coordinate your classroom with peace?**

Co-ordination is integration of the actions of all individuals [students] working in the enterprise [classroom] indifferent capacities, so as to lead to the most successful attainment of the common objectives [peace].

**V. Short answer**

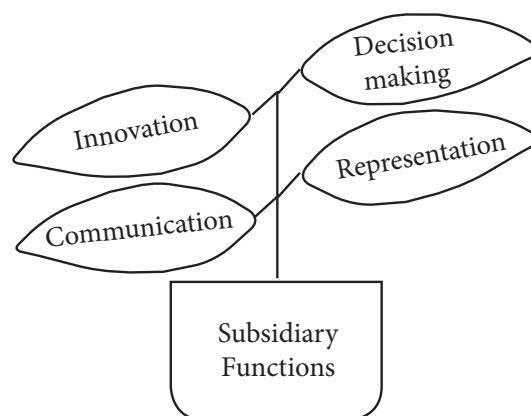
1. **State the importance of Motivation.**

**PTA - 3**

- The goals are achieved with the help of motivation.
- It includes the speed of performance of a work and developing a willingness on the part of workers.
- It may be monetary [cash] or non-monetary [kind]

- This is done by a resourceful leader.
- The workers expect, favourable climate conditions to work, fair treatment, incentive, effective communication and gentleman approach.

2. **Bring out the subsidiary functions of management.**



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

**PTA - 4**

- Manager has to act as a representative of the workers and organisation.
- He has smooth dealings with the customers, suppliers, Government officials, trade unions, public etc.
- He has to control and supervise the business.
- He has to co-ordinates workers-management, outsiders-management.

**Unit****I****CHAPTER - 3****MANAGEMENT BY OBJECTIVES (MBO) and  
MANAGEMENT BY EXCEPTION (MBE)****PART I - TEXTBOOK EVALUATION****I. Choose the correct answer.**

1. \_\_\_\_\_ System gives full Scope to the Individual Strength and Responsibility.

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

Ans: a) MBO

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

PTA - 5

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

Ans: d) Defining Organisational Objectives

3. \_\_\_\_\_ keeps Management Alert to Opportunities and Threats by Identifying Critical Problems.

- a) MBA                      b) MBE                      c) MBM                      d) MBO      Ans: b) MBE

4. Delegation of Authority is Easily Done with the Help of \_\_\_\_\_ .

- a) MBM                      b) MBE                      c) MBO                      d) MBA      Ans: c) MBO

**II. Very short answer questions.**

1. Define - MBO

PTA - 5

“MBO is the establishment of effective standards for managerial positions and the periodic conversion of those into measurable time bound vertical and horizontally and with future planning” – PROF. REDDIN.

2. What are the objectives of MBO?

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

3. Bring out the meaning of MBE.

MBE is a style of Business Management that focuses on identifying and handling cases that deviate from the norms.

4. Mention any two advantages of MBO?

- MBO process helps the managers to understand their role in the total organisation.
- Delegation of Authority is easily done with the help of MBO.

5. What is known as KRA?

- Key Result Areas [KRA] are fixed on the basis of organisational objective premises.
- KRA arranged on a priority basis.
- It indicates the strength of an organisation. (Profitability – Market standing – innovation)

### III. Short answer questions.

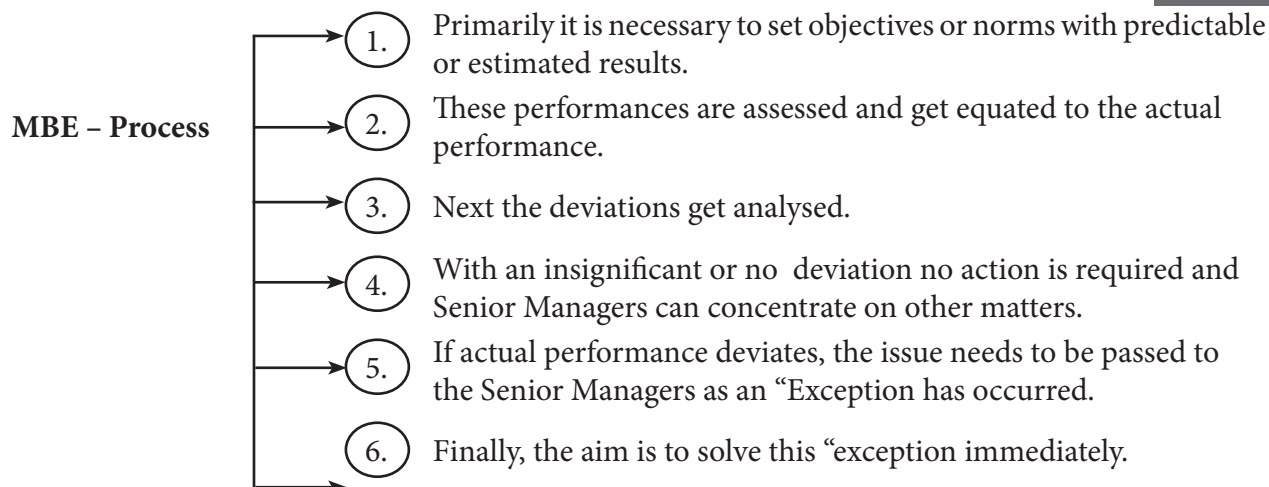
#### 1. Write the features of MBO.

Mar 2020

- MBO integrates the goals of an organisation and individuals.
- MBO combines long run goals with short run goals.
- MBO relates the organisational goal with society goal.
- MBO increases the capability of achieving goals at all levels.
- MBO recognises the participation of employees in goal setting process.
- MBO encourages a climate of trust, goodwill and a will to perform.

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

PTA - 5



#### 3. List out any three process of MBO. [ARMS]

- Appraisal of activities.
- Reappraisal of objectives
- Matching Resources with objectives.
- Setting subordinates objectives.

### IV. Long answer questions.

#### 1. What are the major advantages of MBO?

PTA - 5

- MBO involved in objective setting at various level.
- MBO process helps the managers to understand their role in the total organisation.
- MBO recognises the need for planning.
- MBO provides a foundation for participative management.
- MBO made systematic evaluation of performance.
- MBO motivates the workers by job enrichment and makes the job meaningful.
- MBO fix the responsibility of a worker.
- MBO helps the management to take decisions.
- MBO helps to take corrective action.
- Delegation of authority is easily done with the help of MBO.

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

PTA - 3 / Mar 2020

- MBE saves time of managers because they only with exceptional matters. Routine problems are left to subordinates.
- MBE focuses managerial attention on major problems.

- 3. Explain the various disadvantages of MBO.**

- 4. Discuss the disadvantages of MBE.**

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

**I. Choose the correct answer.**

1. MBO refers to \_\_\_\_\_

- Ans: a) Management By Objective**

2. MBE refers to \_\_\_\_\_

- Ans: a) Management By Exception**

3. It is based on the belief that an attempt to control every thing results in controlling nothing.

- a) MBA                      b) MBM                      c) MBO                      d) MBE      **Ans: d) MBE**

4. KRA refers to \_\_\_\_\_

- Ans: a) Key Result Areas**

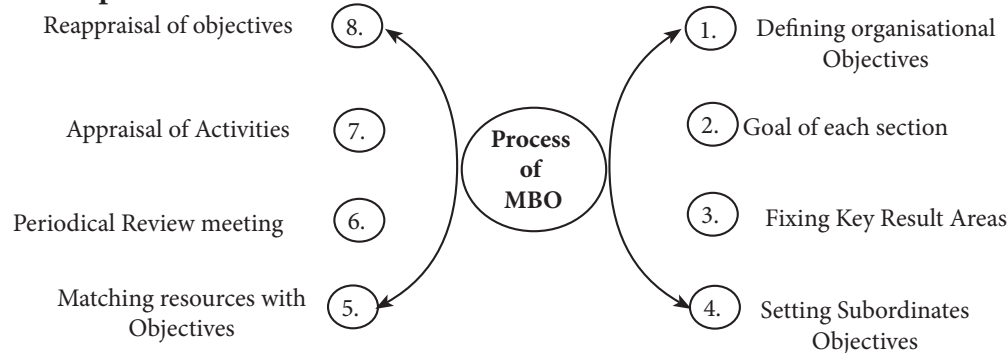
- a) Guided setting of objective
- b) Out going Performance discussion
- c) Develop performance standards
- d) Review job and agreement

a)MBO – Management by Objective      b) MBA – Master of Business Administration  
c)MBM – Master of Business Management      d) MBE – Management By Extraordinary

a) i-2, ii-3, iii-4, iv-1                      b) i-2, ii-4, iii-3, iv-1  
c) i-2, ii-1, iii-4, iv-3                      d) i-1, ii-3, iii-4, iv-2    **Ans: a) i-2, ii-3, iii-4, iv-1**

d) (A) and (R) are True. **Ans: a) (A) is True (R) is True but (R) is not the correct explanation of (A)**

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





## Unit

## II

## CHAPTER - 4

## INTRODUCTION TO FINANCIAL MARKETS

## PART I - TEXTBOOK EVALUATION

## I. Choose the correct answer.

1. Financial market facilitates business firms

PTA - 3

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

Ans: a) To rise funds

2. Capital market is a market for

PTA - 4

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

Ans: c) Long Term Finance

3. Primary market is also called as

PTA - 5

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

Ans: c) New Issue Market

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

PTA - 1

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

Ans: a) Immediately

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

PTA - 4 &amp; 6

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

Ans: d) Multiple times

## II. Very short answer questions.

1. What are the components of organized sectors?

The organised sector consists of:  
Financial Services  
Financial Institutions  
Financial Markets  
Regulators

2. Write a note on financial market. [FAST]

PTA - 1

A market where Financial Instrument such as:

1. Financial Claims
2. Assets
3. Securities are
4. Traded

is known as "Financial Market"

3. What is spot Market?

- Spot Market is a market where the delivery of the financial instrument and payment of cash occurs immediately.
- (ie) Settlement is completed immediately.

4. What is debt market?

- It is a Financial Market for trading Debt Instruments.
- Government Bonds or Securities.
- Corporate Debentures or Bonds.

5. How is price decided in a secondary market?

- The Secondary market provides a signal for capital allocation funds in the economy and allows the determination of price of the traded financial Asset through the interaction of Demand (Buyers) and Supply (Sellers.)
- It is known as 'Price discovery process'





### III. Short answer questions.

#### 1. Give the meaning and definition of financial market.

##### Meaning:

A market where Financial Instrument such as:

Financial Claims

Assets

Securities and

Traded

is known as “Financial Market”

##### Definition:

“The place where people and organisations want to borrow money are brought together with those having surplus funds is called “Financial Market”. – BRIGHAM EUGENE. F

#### 2. Differentiate spot market from future market. DSP K

Basis for difference		Spot Market	Future Market
1	Delivery	Delivery of Financial Instruments immediately	Delivery of Financial Instruments in Future.
2	Settlement	Settlement is completed immediately.	Settlement is completed in pre determined time frame in future.
3	Payment	Payment of cash occurs immediately.	Payment of cash occurs in future. Not immediately.
4	Known as	It is also known as Cash Market.	It is also Known as Forward Market.

#### 3. Write a note on Secondary Market.

PTA - 2

- The place where formerly issued securities (second hand securities) are traded is known as “Secondary Market”
- It has physical existence.
- Stock Exchange and Over The Counter Exchange of India [OTCEI] are important institutions in the Secondary Market.

#### 4. Bring out the scope of financial market in india. 3 - I BAGS

- The Financial Market provides short-term and long-term financial assistance to
  - Individuals
  - Industrial sectors
  - Insurance sectors
  - Banks [Financial Institutions]
  - Agricultural sectors
  - Government
  - Service sectors
- The above stated individuals, institutions and Government can get required funds in time.
- It leads to over all economic development.

## IV. Long answer questions.

1. Distinguish between new issue market and secondary market. M BIG BOS

PTA - 1

No.	Basis for difference	New Issues Market (NIM) or Primary Market	Secondary Market
1.	Meaning	The place where New Issues of securities are traded. (Initial Issues Market)	The place where formerly issued securities (second hand securities) are traded (Resale Market)
2.	Buying	Buying directly.	Buying indirectly
3.	Intermediaries	Underwriters	Brokers
4.	Gained persons	Companies	Investors
5.	Buying and selling between	Companies and Investors	Investors only.
6.	Organised Existence	It has no physical existence	It has physical existence
7.	Securities Sold	Only once.	Many times.

2. Enumerate the different kinds of financial markets.

PTA - 2

**On the basis of Type of Financial claim:**

- Debt Market – A market Trading in Debt Instruments. [Debentures]
- Equity Market – A market Trading in Equity Shares. [Equity Shares]

**On the basis of Maturity of Financial claim:**

- Money Market – A market for short - term Financial Claim [Treasury Bills]
- Capital Market – A market for Long - term Financial Claim. [Shares]

**On the basis of Time of issue Financial claim:**

- Primary Market – A market for New Issues of Securities. [First Time]
- Secondary Market – A market for already issued Securities [Resale]

**On the basis of Time of delivery of Financial claim:**

- Cash/Spot Market – A market where delivery of instruments and payment of cash occur immediately.
- Future/Forward Market – A market where delivery of instruments and payment of cash not occur immediately, but take place in future.

**On the basis of Organisational Structure:**

- Exchange Traded Market – It is a centralised organisation with standardised procedures.
- Over the counter Market – It is a de-centralised organisation with customised procedures.

3. Discuss the role of financial market.

Mar 2020

**Savings mobilisation:**

Obtaining funds from the savers or surplus units such as

- Individuals
- Industrial sectors
- Insurance sectors
- Banks
- Agricultural sector
- Government
- Service sector

is an important role played by financial market.



**Investment:**

- Financial markets play a Key Role
- In arranging investment of funds collected in those units which are in need of the same.

**National Growth:**

- Flow of Funds for productive purposes and
- Flow of surplus Funds to deficit units.
- It leads to over all economic growth.

**Growth of Entrepreneurship:**

Financial Market provides financial assistance for the development of Entrepreneurs.

**Industrial Development:**

- It helps an accelerated growth of Industries, Economic Development of a country.
- It helps to raise the standard of living and the society's well being.

**4. What are the functions of Financial Markets? (IF – STEP – BEL)****PTA - 3****Functions:**

- (a) Intermediary Functions
- (b) Financial Functions

**(a) Intermediary Functions: [STEP]**

- (i) Sales Mechanism: It Provides a mechanism for selling financial assets, to offer benefits of marketability and liquidity of such assets.
- (ii) Transfer of Resources: Financial markets facilitate to transfer of real economic resources from lenders to ultimate borrowers.
- (iii) Enhancing Income: It enhances the income of individuals and National income by allowing to earn Interest and Dividend on their investible funds.
- (iv) Productive Usage: It allows for the productive use of the funds borrowed and thus enhancing the income and the gross national production.

**(b) Financial Functions: (BEL)**

- (i) Borrowers: Providing funds to the borrowers so as to enable them to carry out their investment plans.
- (ii) Earning Assets: Providing the lenders with earning assets so as to enable them to earn wealth.
- (iv) Liquidity: Providing Liquidity in the market so as to facilitate Trading of Funds.

**PART II - ADDITIONAL QUESTIONS****I. Choose the correct answer.****1. \_\_\_\_\_ Market has physical existence.**

- a) Primary                      b) Secondary                      c) Cash                      d) Forward

**Ans: b) Secondary****2. \_\_\_\_\_ Assets are those which can be easily transferred from one person to another.**

- a) Marketable                      b) Non-Marketable                      c) Tangible                      d) Fixed

**Ans: a) Marketable****3. \_\_\_\_\_ Market is for long term financial claim.**

- a) Money Market                      b) Capital Market                      c) Future Market                      d) Spot Market

**Ans: b) Capital Market**

4. \_\_\_\_\_ Assets are those which cannot be easily transferred from one person to another.

- a) Marketable                      b) Non-Marketable                      c) Current                      d) Non-current

Ans: b) Non-Marketable

5. Building is bought for residence purpose, it becomes \_\_\_\_\_ Asset.

- a) Financial                      b) Fixed                      c) Physical                      d) NOTA

Ans: c) Physical

6. Building is bought for hiring purpose, it becomes \_\_\_\_\_ Asset.

- a) Financial                      b) Tangible                      c) Physical                      d) All of these

Ans: a) Financial

7. Which one of the following is not correctly matched?

- a) Financial Asset – For hiring purpose  
b) Physical Asset – For residence Purpose  
c) Marketable Asset – Can be transferred  
d) Non Marketable Asset – Government Securities

Ans: d) Non Marketable Asset – Government Securities

8. Pick the odd one out:

- a) Debt Market                      b) NIM                      c) Equity Market                      d) Niche Market

Ans : d) Niche Market

9. Stock Exchange Market is also called \_\_\_\_\_.

- a) Spot Market                      b) Local market                      c) Securities Market                      d) National Market

PTA - 1

Ans : c) Securities Market

## II. Match the following

1. Match List I with List II

List – I		List – II	
i	Spot Market	1	Long term finance
ii	Primary Market	2	Settlement immediately
iii	Capital Market	3	Equity Market
iv	Equity Shares	4	Issued first time

- a) i-2, ii-4, iii-1, iv-3                      b) i-2, ii-3, iii-4, iv-1  
c) i-4, ii-3, iii-2, iv-1                      d) i-1, ii-2, iii-3, iv-4

Ans: a) i-2, ii-4, iii-1, iv-3

2. Match List I with List II

List – I		List – II	
i	Debt Market	1	Short term finance
ii	Money Market	2	Government Bonds
iii	Future Market	3	Stock Exchange
iv	Secondary Market	4	Time framed in future

- a) i-4, ii-3, iii-2, iv-1                      b) i-2, ii-1, iii-4, iv-3  
c) i-3, ii-4, iii-3, iv-1                      d) i-1, ii-3, iii-2, iv-4

Ans: b) i-2, ii-1, iii-4, iv-3

### III. Assertion and Reason

1. **Assertion (A)** : Government need funds to provide goods and services to the people.  
**Reason (R)** : Government to raise the needed fund by selling different instruments.
- (A) and (R) are True. (R) is the correct explanation of (A)
  - (A) and (R) are False. (R) is the correct explanation of (A)
  - (A) is True (R) is False.
  - (A) is False (R) is True.
- Ans: a) (A) and (R) are True. (R) is the correct explanation of (A)**

### IV. Short answer questions.

1. **What is equity market?**  
 It is a Financial Market for trading Equity shares of the companies.
2. **Explain the classification of Financial Assets.**
- (a) Marketable Assets:**
- Marketables Assets are those which can be easily transferred from one person to another without much hindrance.
  - (e.g) shares of – Listed Companies – Government Bonds.
- (b) Non- Marketable Assets:**
- Non-marketable Assets are those which can not be easily transferred from one person to another person.
  - (e.g) Bank Deposits – PF – LIC Policies.

### V. Long answer questions.

1. **Discuss the various types of Financial markets.**

PTA - 2

**On the basis of Type of Financial claim:**

- Debt Market – A market Trading in Debt Instruments. [Debentures]
- Equity Market – A market Trading in Equity Shares. [Equity Shares]

**On the basis of Maturity of Financial claim:**

- Money Market – A market for short - term Financial Claim [Treasury Bills]
- Capital Market – A market for Long - term Financial Claim. [Shares]

**On the basis of Time of issue Financial claim:**

- Primary Market – A market for New Issues of Securities. [First Time]
- Secondary Market – A market for already issued Securities [Resale]

**On the basis of Time of delivery of Financial claim:**

- Cash/Spot Market – A market where delivery of instruments and payment of cash occur immediately.
- Future/Forward Market – A market where delivery of instruments and payment of cash not occur immediately, but take place in future.

**On the basis of Organisational Structure:**

- Exchange Traded Market – It is a centralised organisation with standardised procedures.
- Over the counter Market – It is a de-centralised organisation with customised procedures.



## CHAPTER - 5

## CAPITAL MARKET

## PART I - TEXTBOOK EVALUATION

## I. Choose the correct answer.

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

## II. Very short answer questions.

1. **What is Capital Market?** **PTA - 2**  
 ➤ “Capital Market” is a market where Buyers and sellers engage in trade of financial securities (Long Term) like Bonds and Stocks.  
 ➤ It is undertaken by participants such as Individuals and Institutions.
2. **Write a note on OTCEI.**  
 ➤ The OTCEI was set up by financial institutions [IDBI, IFCI, SBI, (can Bank) etc.,] to allow the trading of securities across the electronic counters throughout the country.  
 ➤ Its greatest strengths are transparency of transactions, Quick deals, faster settlements and better liquidity.
3. **What is Mutual Fund?**  
 Financial institutions that provides facilities for channelling savings of small investors into avenues of productive investments are called “Mutual Funds”.
4. **Who are the participants in a Capital Market?**  
 The participants of Capital Market are Individuals and Institutions such as corporate sector, Government and other financial institutions [Banks]
5. **How is price determined in a Capital Market?**  
 The price of the securities is determined based on the Demand and Supply prevailing in the capital market for securities.



### III. Short answer questions.

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

**Primary Market:**

- Primary Market is a market for new issues or new financial claims.
- Hence it is also called New Issues Market (NIM)
- It deals with those securities which are issued to the public for the first time.

**Secondary Market:**

- It may be defined as the market for old (second hand) securities, in the sense that securities which are previously issued in the primary market are traded here.
- It covers both stock Exchange and over the counter market.

2. Explain any two functions of Capital Market.

**Ready and Continuous Market:**

- The stock Exchange provides a central and convenient place where Buyers and Sellers can easily Buy 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.

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.
- It comprises the following three systems.
- NTC & R system – Prescribes terms and conditions of contract for the securities market.
- NC System – Determining the net cash and stock liability of each Broker on a settlement date.
- ND System – For transfer of ownership of securities in exchange on payment of by book entry 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 infra-structure for capital market.
- During this period Financial institutions such as IFCI, ICICI, IDBI, and UTI, SFCs and SIDCs were established.
- These institutions strengthened the capital market.
- During the period between 1980 and 1992, debenture emerged as a powerful instrument of resource mobilisation in the primary market.
- A number of Stock Exchanges came into existence.
- There was a tremendous growth in the secondary market.
- SEBI emerged as an effective regulatory body for the primary and secondary markets and give a measure of protection to small investors.
- New financial services such as credit rating was introduced.

5. Explain about Factoring and Venture Capital Institutions.

PTA - 3 / Mar 2020

**Factoring Institution:**

- “Factoring is an arrangement where by a financial institution accommodation on the basis of assignment/sale of account receivables.



- The factoring institutions collect the book debts for and on behalf of its clients.
- (e.g) SBI factors and commercial services limited.

**Venture Capital Institution:**

- 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.
- (e.g) Risk capital foundation of IFCI.

**IV. Long Answer Questions:****1. Discuss the characters of a Capital Market. (PM) (SPL)****PTA - 3 / Mar 2020**

- Price** : The price of the securities is determined based on the demand and supply prevailing in the capital market for securities.
- Market for Financial Assets** : Capital Market provides a transaction platform for long term financial assets.
- Securities Market** : The dealings in a capital market done through shares, Debentures etc. [Securities]  
The capital market is thus called securities market.
- Participants** : The participants of capital market include individuals, corporate sectors, government, 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 centres known as Stock Exchange.

**2. Briefly explain the functions of capital market. FIRES****Foreign Capital:**

- Capital Market makes possible to generate foreign capital.
- Indian Firms are able to generate capital funds from overseas markets by way of Bonds and other securities.
- Government liberalised FDI in the country.

**Industrial Growth:**

- Stock Exchange a central market through which resources are transferred to the industrial sector of the economy.
- Thus it stimulates industrial growth and economic development of the country.

**Ready and Continuous Market:**

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

**Easy Liquidity:**

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

**Savings and Capital Formation:**

- In Capital market, various types of securities help to mobilise savings from various sectors (Individuals, Corporate, Govt. etc.,)



- The twin features of reasonable return and liquidity in stock exchange are definite incentives to the people to invest in securities.
- This accelerates the capital formation in the country.

### 3. Explain the various types of New Financial Institutions. (SON) (VN)

#### Stock Holding Corporation of India Limited [SHCIL]

- SHCIL aims at serving as a central securities depository in respect of transaction on Stock Exchanges.
- It also takes up the administration clearing functions at a national level.

#### Over The Counter Exchange of India [OTCEI]

- The OTCEI was set up by financial institutions [IDBI, IFCI, SBI (can Bank) etc.,] to allow the trading of securities across the electronic counters throughout the country.

#### 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 NSDL is expected to alleviate the problems of post trade transactions in the secondary market.

#### Venture Capital Institution [VCI]

- 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.

#### National Stock Exchange of India [NSEI]

- NSEI was established in 1992 to functions a model Stock exchange.
- The Aim of NSEI providing the advantage of nationwide electronic screen based “Scripless” and “floor less” trading system in securities.

## PART II - ADDITIONAL QUESTIONS

### I. Choose the correct answer.

1. The players in the capital market are \_\_\_\_\_  
 a) Individuals                      b) Banks                      c) Government                      d) All of these  
 Ans: d) All of these
2. Channeling savings of small investors into productive investment is called \_\_\_\_\_  
 a) Mutual Fund                      b) Bond                      c) Equity                      d) Stocks  
 Ans: a) Mutual Fund
3. How to determine the price of the securities in capital market  
 a) Investment                      b) Savings                      c) Deposits                      d) Demand and Supply  
 Ans: d) Demand and Supply
4. Capital market provides \_\_\_\_\_ Funds  
 a) Short term                      b) Long term                      c) Medium Term                      d) Quick  
 Ans: b) Long Term

*Loyola***EC – 12<sup>th</sup> COMMERCE****5. Primary Market facilitates \_\_\_\_\_**

- a) Capital formation    b) Trade    c) Funds    d) Securities

**Ans: a) Capital formation****6. Securities sold to public is known as \_\_\_\_\_**

- a) Right issue    b) public issue    c) offer for sale    d) Bonus shares

**Ans: b) Public issue****7. The capital market is also known as \_\_\_\_\_**

- a) Factoring    b) Commodity market  
c) Securities Market    d) Foreign Market

**Ans: c) Securities Market****8. Pick the odd one out:**

- a) Mutual Funds    b) Venture Funds    c) OTCEI    d) Reserve Funds

**Ans: d) Reserve Funds****9. Which one is not correctly matched?**

- a) Foreign Exchange Market – All Currencies  
b) Deviation Market – Indian Currency  
c) Hard Commodities Market – Iron and Ore  
d) Soft Commodities Market – Coffee and Sugar

**Ans: b) Deviation Market – Indian Currency****10. Which one is correctly matched?**

- a) Venture Fund – Hi-technology projects    b) Mutual Fund – Sale of account receivables.  
c) Factoring – Scripless and floor less    d) NSEI – Savings of Small investors.

**Ans: a) Venture Fund – Hi - technology projects****11. 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

**Ans: d) Multiple Times****II. Match the following****1. Match List I with List II**

List – I		List – II	
i	NSDL	1	Stock Holding Corporation
ii	SHCIL	2	Transparent System of Securities Trading
iii	NCDS	3	Dematerialisation
iv	NSEI	4	National clearing system

a) i-3, ii-1, iii-4, iv-2

b) i-2, ii-4, iii-1, iv-3

c) i-4, ii-2, iii-3, iv-1

d) i-1, ii-3, iii-2, iv-4

**Ans: a) i-3, ii-1, iii-4, iv-2**





### I. Choose the correct answer.

9. Treasury Bill commands \_\_\_\_\_.

PTA - 5

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

Ans : a) High Liquidity

10. Government Securities are issued by agencies such as \_\_\_\_\_.

PTA - 4

- a) Central Government                      b) State Governments  
c) Semi-government Authorities              d) All of the above

Ans : d) All of the above

## II. Very short answer questions.

1. Define the term "Money Market".

PTA - 4

### Money Market - Definition

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

- CROWTHER

2. What is a CD market?

Certificate Deposit market is a market where buying and selling of certificate deposits is known as "CD market".

3. What is Government Securities Market?

Mar 2020

Government or Gilt - Edged Securities Market is a market where buying and selling of Gilt - edged securities is known as "Government or Gilt edged securities market".

4. "What do you meant by Auctioning?"

- "Auctioning" is a method of trading by merchants.
- Where by merchants bid against one another.
- The securities are sold to the highest bidder.

5. What do you meant by Switching?

The purchase of one security against the sale of another security [Exchange] carried out by the RBI in the secondary market (open market operations) is known as "Switching".

## III. Short answer questions.

1. What are the features of Treasury Bills? (FILM V)

PTA - 4

### Features :

- Finance Bills                      ➤ Issuer                      ➤ Liquidity
- Monetary management              ➤ Vital source

2. Who are the participants of Money Market?

- Central Banks of different countries.              ➤ Government of different countries.
- Private and Public Banks.                      ➤ Mutual Funds Institutions.
- Public.                      ➤ RBI and SBI.
- Insurance Companies.                      ➤ No - Banking Financial Institutions.
- Commercial Banks.                      ➤ State Governments.

3. Explain the types of Treasury Bills.

### 91 Days Treasury Bills :

91 days Treasury Bills are issued at a fixed discount rate of 4% as well as through auctions.

### 182 Days Treasury Bill :

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

**364 Days Treasury Bills :**

- 364 days 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? (TINDU)****PTA - 5**

- Transfer freely by endorsement and delivery.
- Issued at discount to face value.
- No grace days. Repayable on fixed date.
- Document of title to Time Deposit.
- Unsecured negotiable instruments.

**5. What are the types of Commercial Bill?****Demand and Usance Bills :**

- A Demand Bill is one where in no specific time of payment is mentioned.
- So, it should be payable immediately when they are presented to the drawee.

**Clean Bill and Documentary Bills :**

- Clean Bill - No documents attached.
- Documentary Bill - Documents of title to goods are attached.

**Accommodation Bills :**

Accommodation Bill - Do not arise out of genuine trade of transactions.

**Inland Bill and Foreign Bill :**

- Inland Bill - drawn in India - Payable in India.
- Foreign Bill - Drawn outside India - Payable in India or outside India.

**Indigenous Bill :**

Indigenous Bill - Drawn and Acceptance governed by native custom.

**IV. Long answer questions.****1. Differentiate between the Money Market and Capital Market.****PTA - 1****Money Market - Definition :**

“The Money Market is the collective name given to the various firms and institutions that deal in the various grades of near money”.

**- CROWTHER****Capital Market - Definition :**

“A complex of institutions investments and practices with established links between the demand for and supply of different types of capital gains”.

**- ARUN K. DATTA****RURALD**

Basis of Difference		Money Market	Capital Market
1	Regulator	Central Bank is the Regulator.	Central Bank and SEBI are the Regulators.
2	Underwriting	Underwriting is not a primary function.	It is a primary function.
3	Risk	Low credit and market risk.	High credit and market risk.

4	Availability of Instruments	Money Market instruments generally do not have secondary market.	Capital Market instruments generally have secondary market.
5	Liquidity	High liquidity	Low liquidity
6	Duration	Short-term loanable Funds not exceeding one year.	Long-term loanable Funds exceeding one year.

## 2. Explain the characteristics of Money Market? (SMS WED)

PTA - 5

### 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.

### Sub-markets :

- It is not a single homogeneous market.
- It comprises of several sub-markets.
- (e.g) Acceptance Market
- Bill Market
- Call Money Market

### Whole sale market :

- It is a whole sale market.
- The volume of funds or financial assets traded in the market is very large.

### 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.
- It pre-supposes the existence of a large domestic and foreign trade.

## 3. Explain the Instruments of Money Market.

### Instruments of Money Market :

- Treasury Bills.
- Money at call and short Notice.
- Commercial Bills and Promissory Notes.
- Inter-Bank participation certificate.
- Commercial papers.
- Certificate of Deposit.
- Repo instruments.

### Treasury Bills :

- Treasury Bills are very popular and enjoy a higher degree of liquidity since they are issued by the Government.
- It is nothing but a promissory note issued for a specific period stated there in.
- The Government promises to pay the specified amount mentioned there in to the bearer of the instrument on the due date.
- The period does not exceed a period of one year.

### Commercial Bill :

- A Bill of Exchange issued by a commercial organisation to raise money for short-term needs.



- These bills are of 30 days, 60 days and 90 days maturity.
- It is drawn by a seller of goods on a buyer of goods.

#### **Certificate of Deposits : [CD]**

- Certificate of Deposits are short-term deposit instruments issued by Banks and financial institutions to raise large sums of Money.
- These are issued in the form of usance promissory notes.
- They are easily convertible having face value and maturity.
- They are also known as Negotiable Certificate of Deposits.

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

##### **Features :**

- |            |                     |
|------------|---------------------|
| ➤ Drawer   | ➤ Acceptor [Drawer] |
| ➤ Payee    | ➤ Discounter        |
| ➤ Endorser | ➤ Assessment        |
| ➤ Maturity | ➤ Credit Rating     |

- |                    |   |
|--------------------|---|
| Demand Bill        | - Demand Bills are payable immediately when they are presented to the drawee. [No specific time]. |
| Clean Bill         | - No documents attached.  |
| Documentary Bill   | - Documents of title to goods are attached.   |
| Accommodation Bill | - Do not arise out of genuine trade of transactions.  |
| Inland Bill        | - Drawn in India - payable in India.  |
| Foreign Bill       | - Drawn outside India - payable in India or outside India.  |
| Indigenous Bill    | - Drawn and Acceptance governed by native custom.   |

#### **5. What are the characteristics of Government Securities? (SMART IG)**

##### **Switching :**

The purchase of one security against the sale of another security [Exchange] carried out by the RBI in the secondary market [open market operations] is known as "Switching".

##### **Market :**

- As each purchase and sale has to be negotiated separately, the Gilt - Edged Market is an Over - The Counter Market.
- It has two segments namely primary market and secondary market.

##### **Auctioning :**

- "Auctioning" is a method of trading by merchants.
- Where by merchants bid against one another.
- The securities are sold to the highest bidder.

##### **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.

##### **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.

##### **Issue Mechanism :**

The Public Debt Office [PDO] of the RBI undertakes to issue Government Securities.

##### **Grooming :**

Acquisition of Securities nearing maturity through the stock exchanges by the RBI in order to facilitate redemption is described as "Grooming".



**I. Choose the correct answer.**

- Ans : a) Central Bank**

- Ans : b) Money Market**

- a) Clean                      b) Documentary    c) Inland                      d) Foreign                      **Ans : a) Clean**

- Ans : d) Indigenous**

- Ans : d) Proprietor**

- a) Endorser      b) Endorsee      c) Grace days      d) Creditor **Ans : d) Creditor**

- Ans : b) Accomodation Bill - Genuine transaction**

**1. Match List I with List - II**

	(i)	(ii)	(iii)	(iv)
a)	4	3	1	2
b)	4	3	2	1
c)	4	2	1	3
d)	4	1	3	2

**Ans : a) (i) 4, (ii) 3, (iii) 1, (iv) 2**

- | List - I |                   | List - II |                       |
|----------|-------------------|-----------|-----------------------|
| i        | Inland Bills      | 1         | Documents attached    |
| ii       | Documentary Bills | 2         | No documents attached |
| iii      | Clean Bills       | 3         | Drawn in India        |
| iv       | Foreign Bills     | 4         | Drawn outside India   |

- |    | (i) | (ii) | (iii) | (iv) |
|----|-----|------|-------|------|
| a) | 3   | 1    | 2     | 4    |
| b) | 3   | 1    | 4     | 2    |
| c) | 3   | 2    | 4     | 1    |
| d) | 3   | 4    | 1     | 2    |

Ans : a) (i) 3, (ii) 1, (iii) 2, (iv) 4

### III. Assertion and Reason

1. **Assertion (A) :** Treasury Bills enjoy higher degree of liquidity since they are issued by Government.

**Reason (R) :** The Government promises to pay the specific amount on the due date

- a) (A) is True (R) is False  
 b) (A) is False (R) is True  
 c) Both (A) and (R) are False  
 d) Both (A) and (R) are True

Ans : d) Both (A) and (R) True

2. **Assertion (A) :** A demand bill is one where in no specific time of payment is mentioned.

**Reason (R) :** So, it has to be payable immediately on demand.

- a) Both (A) and (R) are correct  
 b) Both (A) and (R) are incorrect  
 c) A is correct  
 d) R is incorrect

Ans : a) Both (A) and (R) are correct

### IV. Very short answer questions.

1. **What is Grooming?**

Acquisition of securities nearing maturity through the stock exchange by the RBI in order to facilitate redemption is described as "Grooming".

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

It is a market for buying and selling of Commercial Bills (of exchange) is known as "Commercial Bill Market".

3. **What are the Instruments of Money Market?**

- Treasury Bills.
- Money at call and Short Notice.
- Commercial Bills and Promissory Notes.
- Inter-Bank participation certificate.
- Commercial papers.
- Certificate of Deposits.
- Repo Instruments.

4. **Explain the two oldest money markets.**

PTA - 5

- The oldest, most developed and leading Money Market in the world is "London Money Market".
- The second well developed and ranked Money Market in the world is "New York Money Market".

### V. Short answer questions.

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

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



## CHAPTER - 7

## STOCK EXCHANGE

## PART I - TEXTBOOK EVALUATION

## I. Choose the correct answer.

1. \_\_\_\_\_ is the oldest stock exchange in the world. PTA - 1  
 a) London Stock Exchange                      b) Bombay Stock Exchange  
 c) National Stock Exchange                      d) Amsterdam Stock Exchange  
 Ans : d) Amsterdam Stock Exchange
2. There are \_\_\_\_\_ stock exchanges in the country. PTA - 2  
 a) 21    b) 24    c) 20    d) 25    Ans : a) 21
3. Stock exchanges deal in PTA - 1  
 a) Goods    b) Services  
 c) Financial Securities    d) Country's Currency  
 Ans : c) Financial Securities
4. Stock exchange allow trading in PTA - 3  
 a) All types of Shares of any Company                      b) Bonds issued by the Govt.  
 c) Listed Securities    d) Unlisted Securities  
 Ans : c) Listed Securities
5. Jobbers transact in a stock exchange PTA - 2  
 a) For their Clients    b) For their Own Transactions  
 c) For other Brokers    d) For other Members  
 Ans : b) For their Own Transaction
6. A pessimistic speculator is PTA - 4  
 a) Stag    b) Bear    c) Bull    d) Lame Duck  
 Ans : b) Bear
7. An optimistic speculator is PTA - 5  
 a) Bull    b) Bear    c) Stag    d) Lame Duck  
 Ans : a) Bull
8. A bull operator believes in PTA - 3  
 a) Increase in Prices    b) Decrease in Prices  
 c) Stability in Prices    d) No change in Prices    Ans : a) Increase in Prices
9. \_\_\_\_\_ means the price at which securities are bought and sold are recorded and made public. PTA - 6  
 a) Market Quotations    b) Trade Quotations  
 c) Business Quotations    d) Buyers Quotations    Ans : a) Market Quotations

**Ans : c) SEBI**

**PTA - 1**

- Mar 2020

## PTA - 2

- PTA - 3**

- Send Your Study Materials to Our E-mail ID: [Padasalai.Net@gmail.com](mailto:Padasalai.Net@gmail.com)**

- Lack of uniformity and control of Stock Exchanges.
- Failure to control unhealthy speculation.
- Allowing more than one exchange in a place.
- No proper regulation on listing of securities.

## 2. Explain Bull and Bear.

PTA - 1

### Bull : [Tejiwala]

- He is an optimistic speculator.
- He expects rise in the price.
- In anticipation of price rise he buys the shares at present and the intention to sell at higher price in future.

### Bear : [Mandiwala]

- He is a pessimistic speculator.
- He expects a fall in the price.
- In anticipation of price fall he sells the shares at present and buy the shares at lower price in future.

## 3. Explain Stag and Lame Duck.

PTA - 2

### Stag : [Premium Hunter]

- He is a Cautious Speculator.
- He applies for shares in new companies and expects to sell them at premium.
- If he gets an allotment, he sells the shares before being called to pay the allotment money.

### Lame Duck :

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

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

- NSMS was advocated by the High powered group on the Establishment of New Stock Exchanges headed by M.J. Pherwani.
- At present NSMS comprises the following
 

National Stock Exchange of India Limited	-	NSE
Stock Holding Corporation of India Limited	-	SHCIL
Securities Trading Corporation of India	-	STCI
National Clearing and Depository System	-	NCDS
National Securities Depository Limited	-	NSDL

## 5. Explain National Stock Exchange (NSE)

PTA - 3

### National Stock Exchanges :

- NSE was incorporated in November, 1992.
- It is a Country wide, Screen based, Online and order driven trading system.

- It uses satellite link to spread trading throughout the country there by connecting members scattered all over the India.
- NSE has two segments Debt and Capital Segments.
- It has revolutionised stock trading in India.
- Through computer network, member's orders for buying and selling with in prescribed price are matched by central computer with each other and instantly communicate to the trading member.

#### IV. Long answer questions.

#### 1. Explain the functions of stock Exchange. (Any 5)

PTA - 4

##### 1. Ready and Continuous Market

- Stock Exchange is, in fact, a market for existing securities.
- If an investor wants to sell his securities, he can easily and quickly dispose them off on a stock exchange.
- In other words, he can convert his shares into cash and with the same ease he can convert his cash into securities.
- This easy marketability of securities increases their liquidity (conversion of securities into cash easily and quickly) and consequently raises their value.

##### 2. Correct Evaluation of Securities

- The prices at which securities are bought and sold are recorded and made public.
- These prices are called "market quotations".
- One can easily evaluate the worth of one's securities on the basis of these quotations.
- The lender can easily assess the worth of security offered for loan.

##### 3. Protection to Investors

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

##### 4. Proper Chanalisation of Capital

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

##### 5. Aid to Capital Formation

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

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

PTA - 3

##### Features :

##### Market for Securities :

Stock Exchange is market, where securities of corporate, bodies Government and Semi Government bodies are bought and sold.

##### Association of Persons :

It is an association of persons or body of individuals whether incorporated or not.



**Deals in second hand securities :**

In secondary market (Stock Exchange) Shares, Debentures, Bonds already issued by the companies are (re-sale) traded.

**Regulates Trade in Securities :**

It regulates the trade activities so as to ensure free and fair trade.

**Allow dealings only in Listed Securities :**

- It maintains the list of companies (securities) that could be bought and sold on its floor.
- Unlisted Securities can't be traded in the stock exchange.

**Specific location :**

- Stock exchange is a particular place where authorised brokers come together daily (on working days - working hours) on the floor of market.

**3. Explain the Benefits of Stock Exchange.****PTA - 3****1. Benefits to Community [ETC]**

- Economic Development - It accelerates the economic development by ensuring steady flow of savings into productive purposes.
- Tools to divert resources - Scarce resources are thus diverted to efficiently run enterprises for better utilization.
- Capital formation - It encourages capital formation.

**2. Benefits to the Company [WEB]**

- Wide market - There is a wide and ready market for such securities.
- Entrance Good will - Companies whose shares are quoted on a stock exchange enjoy greater good will and reputation.
- Bargaining strength - Companies whose shares rise in the stock exchange command higher bargaining power in the event of further expansion, merger or amalgamation.

**3. Benefits to the Investors [MLA]**

- Mechanism to trade security - It provides a mechanism by which listed securities can be bought and sold within few minutes.
- Liquidity - An investor can convert his securities into cash and cash into securities quickly and easily.
- Adding collateral value - It is a good collateral security for obtaining loan from banks.

**4. Distinguish between Stock Exchange and Commodity Exchange. MP SOFA****PTA - 5**

No.	Basis of Difference	Stock Exchange	Commodity Exchange
1.	Meaning	Stock Exchange is an organised market for purchase and sale of industrial and financial securities. (e.g) Shares - Debentures.	A Commodity Exchange where commodities are traded. (e.g) metals - Gold, Silver, Copper Energy - Gas, Fuel, Crude oil, Agri - Rice, Wheat, Live Stock.
2.	Participants	Investors and Speculators.	Producers, Dealers, Traders.

3.	Speculation	Speculation affording broad, ready, liquid and continuous market for securities.	It ensures assumption and absorption of price risk.
4.	Object	For facilitating capital formation and making best use of capital resources.	For facilitating goods flow through risk reduction.
5.	Function	Providing easy marketability.	Offering hedging or price insurance services and liquid to securities.
6.	Articles Traded	Stocks, Bonds, Government securities are traded.	Durable, Graded, Goods having large voluntary trade, are traded.

## PART II - ADDITIONAL QUESTIONS

### I. Choose the correct answer.

- A cautious speculator is \_\_\_\_\_.  
a) Bull                      b) Bear                      c) Stag                      d) Lame Duck  
**Ans : c) Stag**
- A Bear operator believes in \_\_\_\_\_.  
a) Increase in Price                      b) Decrease in Price  
c) Stability in Price                      d) No Change in Price  
**Ans : b) Decrease in Price**
- \_\_\_\_\_ Speculator is also known as "Premium Hunter"  
a) Stag                      b) Lame Duck                      c) Bull                      d) Bear  
**Ans : a) Stag**
- Which one of the following is not correctly matched?  
a) Jobbers - India pendent operators                      b) Brokers - Intermediataries  
c) Authorised clerks - Employee                      d) Bull - Mandiwala  
**Ans : d) Bull - Mandiwala**
- Pick the odd one out :  
a) Bull                      b) Bear                      c) Stag                      d) Swan  
**Ans : d) Swan**
- Pick the odd one out :  
a) Khazimar Street                      b) Dalal Street                      c) Wall Street                      d) Lombard Street  
**Ans : a) Khazimar Street**
- Choose the correct statement.  
i) Future market is an Auction Market  
ii) Right to sell security is called "Put Option"  
iii) Right to buy security is called "Call Option"  
a) (i) is correct                      b) (ii) is correct  
c) (iii) is correct                      d) All (i) (ii) and (iii) are correct  
**Ans : d) All (i) (ii) and (iii) are correct**



## II. Match the following

### 1. Match List I with List - II

List - I		List - II	
i	Bull	1	Premium Hunter
ii	Bear	2	Taraveniwala
iii	Jobber	3	Mandiwala
iv	Stag	4	Tejiwala

- (i) (ii) (iii) (iv)
- a) 4 3 2 1
- b) 3 2 4 1
- c) 2 4 3 1
- d) 1 4 2 3

Ans : a) (i) 4, (ii) 3, (iii) 2, (iv) 1

### 2.

List - I		List - II	
i	NASDAQ	1	China
ii	Euronext	2	New York City
iii	TMX Group	3	France, Portugal, Netherlands
iv	Shenzhen Stock Exchange	4	Toronto, Canada

- (i) (ii) (iii) (iv)
- a) 2 3 4 1
- b) 4 3 2 1
- c) 2 1 4 3
- d) 4 3 1 2

Ans : a) (i) 2, (ii) 3, (iii) 4, (iv) 1

## III. Assertion and Reason

1. **Assertion (A) :** Bear or Mandiwala speculator expects prices to fall in future and sells the securities at present with a view to purchase them at lower prices.

**Reason (R) :** A Bear usually presses its viction down to down to the ground. Similarly the Bear speculator tends to force down prices of securities.

- a) (A) is True (R) is False                      b) (A) is False (R) is True
- c) Both (A) and (R) are False                  d) Both (A) and (R) are True

Ans : c) Both (A) and (R) are True

## IV. Very short answer questions.

### 1. What is Future Market?

- A "Future Market" is an auction market in which participants Buy and Sell commodities and future contracts for delivery on a Specified Future Date.
- (e.g) York Mercantile Exchange.

### 2. What is Options Market?

An "Option" is a type of Security that can be Bought and Sold as a specified price with in a specified period of time in exchange for a non-refundable upfront deposit.

**3. What is leverage?**

- Options help you profit from changes in share prices without puffing down the full price of the share.
- You get control over the shares without buying them outright.

**4. What is hedging?**

- They can also be used to protect yourself from fluctuations in the price of a share.
- Letting you buy or sell the shares at a per-determined price for a specified period of time.

**5. What is Sensex?**

- Sensex in an Index of the Stocks in BSE.
- It has a list of 30 stocks.
- BSE decides the stocks that are to be listed on sensex.
- The criteria for picking a stock to be listed on sensex is volume of the trade of that stock and the total volume of stock in BSE.

**6. What is NIFTY?**

- NIFTY derived from two words. "National" and "Fifty".
- It means the index of the 50 most actively traded stocks from across all sectors.

**7. What is meant by Commodity Exchange?**

Commodity Exchange is an Exchange where Commodities are traded.

**8. What is the stock trading time in India?****Equity Market :**

- Normal Trading Time - 9.15 a.m to 3.30 p.m [Monday to Friday]
- Closed on - All Saturday Sunday and National Holidays.

**Commodity Market :**

- Normal Trading Time - 10.00 a.m to 11.30 a.m [Monday to Friday]
- Closed on - All Saturdays and Sundays and National Holidays.

**9. Explain Dalal Street.**

- Dalal Street is an area in down town Mumbai, India that houses the Bombay Stock Exchange (BSE).
- The largest Stock Exchange of India.
- It received the name Dalal Street after the BSE moved to the area in 1874.

**V. Long answer questions.****1. Explain Lombard street and Wall street.****Lombard Street :**

- Lombard street in London is notable for its connections with the city of London's Merchant, Banking, Insurance Industries stretching back to medieval times.
- From Bank Junction, where NINE streets coverage by the Bank of England.
- It runs south east for a short distance before bearing left into a most easterly direction and terminates at a junction with Grace church Street and Fenchurch Street.

**Wall Street :**

- Wall Street in New York is a street in Lower Manhattan that is the original home of New York Stock Exchange.
- The Historic Head Quarters of the largest US brokerages and investment Banks.
- It is collective name for the financial and Investment community which includes stock exchanges and - Banks, Brokerages, Securities and under writing firms and big Businesses.



## CHAPTER - 8

## SECURITIES EXCHANGE BOARD OF INDIA (SEBI)

## PART I - TEXTBOOK EVALUATION

## I. Choose the correct answer.

1. Securities Exchange Board of India was first established in the year \_\_\_\_\_. PTA - 1  
 a) 1988                      b) 1992                      c) 1995                      d) 1998                      Ans : a) 1988
2. The headquarters of SEBI is \_\_\_\_\_. PTA - 2  
 a) Calcutta                      b) Bombay                      c) Chennai                      d) Delhi                      Ans : b) Bombay
3. In which year SEBI was constituted as the regulator of capital markets in India? PTA - 4  
 a) 1988                      b) 1992                      c) 2014                      d) 2013                      Ans : a) 1988
4. Registering and controlling the functioning of collective investment schemes as \_\_\_\_\_. PTA - 6  
 a) Mutual Funds                      b) Listing  
 c) Rematerialisation                      d) Dematerialization  
Ans : d) Dematerialization
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                      Ans : b) 3
6. The process of converting physical shares into electronic form is called \_\_\_\_\_.  
 a) Dematerialisation                      b) Delisting  
 c) Materialisation                      d) Debarring                      Ans : a) Dematerialisation
7. Trading in dematerialized shares commenced on the NSE is \_\_\_\_\_.  
 a) January 1996                      b) June 1998                      c) December 1996                      d) December 1998  
Ans : c) December 1996
8. \_\_\_\_\_ was the first company to trade its shares in Demat form.  
 a) Tata Industries                      b) Reliance Industries  
 c) Infosys                      d) Birla Industries  
Ans : b) Reliance Industries
9. \_\_\_\_\_ enables small investors to participate in the investment on share capital of large companies.  
 a) Mutual Funds                      b) Shares                      c) Debentures                      d) Fixed deposits  
Ans : a) Mutual Funds
10. PAN stands for \_\_\_\_\_.  
 a) Permanent Amount Number                      b) Primary Account Number  
 c) Permanent Account Number                      d) Permanent Account Nominee  
Ans : c) Permanent Account Number

**II. Very short answer questions.****1. Write a short notes on SEBI.****PTA - 4**

- Securities and Exchange Board of India [SEBI] is an APEX body that maintains and Regulates Capital Market.
- It was established in 1988 as a supervisory Body for regulating the securities market.
- It was made as an autonomous Body, on 12<sup>th</sup> May, 1992.
- SEBI Act was passed in the Indian Parliament in the year 1992.

**2. Write any two objectives of SEBI.****Control Over Brokers :**

The important object is supervise or check the activities of the Brokers, and other intermediaries in order to control the capital market.

**Regulation of Stock Exchange :**

- The first objective of SEBI is to regulate the Stock Exchange.
- So that efficient services may be provided to all the parties operating there.

**3. What is Demat account?****PTA - 5**

- A Demat A/c holds all the shares that are purchased in Electronic form.
- Like a Bank A/c, Demat A/c holds the certificate of financial instruments like Shares, Bonds, Government Securities, Mutual Funds and Exchange Trader Funds.
- Purchases made by an investor is credited to his account and sales are debited to his account.

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

- Head Quarters - Mumbai [Bandra Kurla - Complex]

- - North - New Delhi
  - East - Kolkatta
  - South - Chennai
  - West - Ahmedabad

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

- |   |  |
|---|--|
| <ul style="list-style-type: none"> <li>➤ PAN - card</li> <li>➤ Voter ID</li> <li>➤ Driving License</li> <li>➤ Bank Pass Book</li> </ul> | <ul style="list-style-type: none"> <li>➤ Government - issued card with photo ID</li> <li>➤ Passport</li> <li>➤ Electricity Bill</li> <li>➤ Telephone Bill</li> </ul> |
|---|--|

**III. Short Answer Questions .****1. What is meant by Dematerialization?**

- Dematerialisation [DEMAT] is the process by physical share certificates of an investor are taken back by the Company or Register and destroyed.
- Then an equivalent number of securities in the Electronic form are credited to the investors account with his Depository Participant. [DP]
- DEMAT is done at the request of the Investor.
- He has to open an account with a DP.
- In DEMAT A/c - Purchase - Credited his account.
- In DEMAT A/c - Sales - Debited his account.

**2. What are the documents required for a Demat account?****PTA - 3**

- You need to submit proof of Identity and Address along with a passport size photo and an account opening form.
- Only xerox copies of the documents are required for submission, but original copies are also required for verification.

**Documents Proof of Identity and Address :**

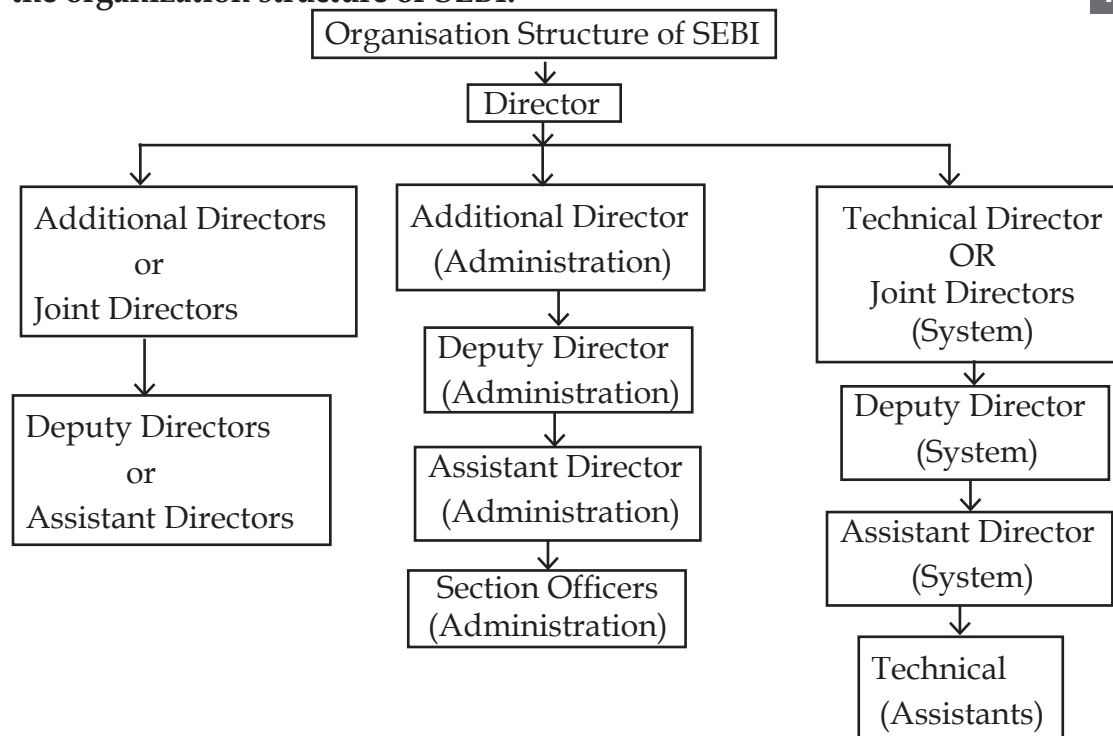
- PAN - card
- Voter ID
- Driving License
- Bank Pass Book
- Government - issued card with photo ID
- Passport
- Electricity Bill
- Telephone Bill
- All the documents with address issued by Both the Governments at its departments. [Legal - Education - PSU's]

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

- Power to grant License to new stock exchange.
- Power to direct any stock exchange to amend the rules.
- Power to supersede governing body of any stock exchange.
- Power to ask information and accounts of the stock exchange.
- Power to suspend business of stock exchange.
- Power to prohibit contracts of stock exchange.

**4. What is meant by Insiders trading?**

- Insider Trading means the buying and selling of securities by Directors, Promoters etc. Who have access to some - Confidential information about the company and who wish to take advantage of this confidential information.
- This affects the interests of the general investors.

**5. Draw the organization structure of SEBI.****PTA - 5**

## IV. Long Answer Questions :

## 1. What are the functions of SEBI?

PTA - 1

**Functions :**

- SEBI is the NODAL agency which safeguards the interests of an investor in the Indian Financial Market.
- SEBI performs :
 

Quasi

Legislative

Judicial

Executive
- Safeguarding the interest of the investors by means of adequate education and guidance.
- SEBI makes Rules and Regulations that must be strictly followed by the participants of financial market.
- Regulating and Controlling the business on Stock Exchange.
- Registration of Brokers and sub-brokers is made mandatory.
- Conduct inspection and inquiries of stock exchanges, intermediaries and self-regulating organisations.
- Barring insider trading in securities.
- Prohibiting deceptive and unfair methods by intermediaries.
- Registering and Controlling share agents, banker, trustees, registrars, merchant bankers, under writers, managers etc.
- SEBI regulates mergers and amalgamation as a way to protect the interest of the investors.
- Registering and Controlling the function of collective investment scheme such as mutual funds.
- Promotting self-regulatory organisations intermediaries.
- Carrying out steps in order to develop the capital markets by having an accommodating approach.

## 2. Explain the powers of SEBI.

PTA - 4

**Powers of SEBI :****Stock Exchanges and Intermediaries :**

- SEBI has wide powers regarding the Stock Exchange and - intermediaries dealing in securities.
- SEBI can inspect and ask information from the stock exchange and intermediaries.

**Monetary Penalties :**

SEBI has been empowered to impose monetary penalties on capital market intermediaries and other participants for a range of violations.

**Actions in Functions Assigned :**

- SEBI has a power to initiate actions in regard to functions assigned.
- Can issue guidelines and rules for the protection of the interest of the investors.

**Regulate Business of Stock Exchange :**

- SEBI is empowered to regulate the business of stock exchanges.
- It regulates the fraudulent and unfair trade practices.

**Insider Trading :**

SEBI has a power to regulate insider trading and functions of Merchant Bankers.



## 3. What are the benefits of Dematerialisation? (Advantages)

PTA - 3

- The risks pertaining to physical certificates like loss, theft, forgery and damage are eliminated completely with a DEMAT A/c.
- The lack of paper work enables quicker transactions and higher efficiency in trading.
- Without the need of visiting the Broker, one can trade through computers at any location.
- The shares that are created through mergers and consolidation of companies are credited automatically in the DEMAT A/c.
- As all the transactions occur through the DP, a trader does not have to communicate individually with each and every company.
- There is no need for stamp duty for transfer of securities.
- Certain Banks are also permit holding of both equity and debentures in a single account.
- Bank provide Trained and Dedicated CCD's to assist in all the procedures.
- A DEMAT account holder can buy or sell any amount of shares.
- Holder can take loan against securities in DEMAT account.

**PART II - ADDITIONAL QUESTIONS****I. Choose the correct answer.**

## 1. In which year SEBI Act being passed by the Indian Parliament?

- a) 1990                      b) 1991                      c) 1992                      d) 1993

Ans : c) 1992

## 2. \_\_\_\_\_ is the foremost objective of SEBI.

- a) Security                      b) Regulate                      c) Control                      d) NOTA

Ans : a) Security

## 3. DEMAT is done at the request of \_\_\_\_\_.

- a) Investors                      b) Brokers                      c) Speculators                      d) NDTA

Ans : a) Investors

## 4. Which is an Apex body that maintain and Regulates capital market?

- a) Stock Exchange                      b) SEBI                      c) OTCEI                      d) NSE

Ans : b) SEBI

## 5. Mention the documents required for a Demat A/c.

- a) Address proof                      b) ID proof                      c) Photo                      d) All of these

Ans : d) All of these

## 6. SEBI has the following number of members including chairman.

- a) 4                      b) 5                      c) 6                      d) 7

Ans : c) 6

## 7. Pick the odd one out :

- a) Voter ID                      b) PAN                      c) ID card                      d) Post Card

Ans : d) Post Card

## 8. Which one of the following is not correctly matched?

- a) DEMAT - Dematerialisation                      b) PAN - Proof  
c) SEBI - 12 members                      d) HQ - Bendrakurla

Ans : c) SEBI - 12 members

9. Choose the correct statement.

- (i) SEBI Act was passed in the year 1992 in Indian Parliament.  
 (ii) It protects the interest of the Investors.  
 (iii) It Regulates and controls the stock exchange.

- a) (i) is correct  
 b) (ii) is correct  
 c) (iii) is correct  
 d) All (i), (ii) and (iii) are correct

Ans : d) All (i), (ii) and (iii) are correct

## II. Match the following

1. Match List I with List - II

List - I		List - II	
i	SEBI	1	Dematerialization
ii	DEMAT	2	A Supervisory Body
iii	PAN	3	Buying and Selling by Directors
iv	Insider Trading	4	Permanent Account Number

- (i) (ii) (iii) (iv)  
 a) 2 1 4 3  
 b) 3 4 2 1  
 c) 4 3 2 1  
 d) 1 2 3 4

Ans : a) (i) 2, (ii) 1, (iii) 4, (iv) 3

## III. Assertion and Reason

1. Assertion (A) : DEMAT is done at the request of the investor.

Reason (R) : A DEMAT A/c holder can buy or sell any amount of shares.

- a) (A) is True (R) is True  
 b) (A) and (R) are False  
 c) (A) is True (R) is False  
 d) (A) is False (R) is True

Ans : a) (A) is True (R) is True

2. Assertion (A) : SEBI is a supervisory (Apex) Body.

Reason (R) : So, It cannot regulates and control the stock exchange.

- a) (A) is True (R) is False  
 b) (A) is False (R) is True  
 c) Both (A) and (R) are True  
 d) Both (A) and (R) are False

Ans : a) (A) is True (R) is False

## IV. Very Short answer questions.

1. What is meant by PAN?

- PAN - Permanent Account Number.
- It is a unique 10 digit alphanumeric identity number.
- It also serves as an identity proof.

\*\*\*\*\*