12th Standard	Syllabus	Books	Study Materials – EM	Study Materials - TM	Practical	Online Test (EM & TM)
	Monthly Q&A	Mid Term Q&A	Revision Q&A	PTA Book Q&A	Centum Questions	Creative Questions
	Quarterly Exam	Half Yearly Exam	Public Exam	NEET		

11th Standard	Syllabus	Books	Study Materials – EM	Study Materials - TM	Practical	Online Test (EM & TM)
	Monthly Q&A	Mid Term Q&A	Revision Q&A	Centum Questions	Creative Questions	
	Quarterly Exam	Half Yearly Exam	Public Exam	NEET		

10th Standard	Syllabus	Books	Study Materials - EM	Study Materials - TM	Practical	Online Test (EM & TM)
	Monthly Q&A	Mid Term Q&A	Revision Q&A	PTA Book Q&A	Centum Questions	Creative Questions
	Quarterly Exam	Half Yearly Exam	Public Exam	NTSE	SLAS	

COMMERCE

12th STD

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FOREWORD

The book Titled "Commerce" by S.Mahalingam is a very useful addition to the field of Management and Commerce. The author took beautiful efforts in making the book a user guide which could be of great help for the students of Management, Commerce and Corporate Secretaryship. The book, though not provides ample explanation to the concepts will help the readers to have a glimpse at the salient aspects of the subjects like Personnel Management, Marketing Management,Entrepreneurship development etc.The model questions given at the end of the each chapter would help the students to review and revisit the concepts. I congratulate the author for his wonderful effort in bringing out this useful book. I wish him to pursue his passion relentlessly and continue his hard and good work.

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CONTENT

UNIT I

MANAGEMENT PROCESS

1 CHAPTER

PRINCIPLES OF MANAGEMENT

CHAPTER SYNOPSIS

1. CONCEPT OF MANAGEMENT
2. DEFINITION OF MANAGEMENT
3. MANAGEMENT VS ADMINISTRATION
4. MANAGEMENT PROCESS
5. PRINCIPLES OF SCIENTIFIC MANAGEMENT
6. PRINCIPLES OF MODERN MANAGEMENT

I. CHOOSE THE CORRECT ANSWERS

1 Management is what a_________does?

a) Manager b) Subordinate

c) Supervisor d) Superior

Ans.: a) Manager

2. Management is an _______

a) Art b) Science

c) Art and Science d) Art or Science

Ans.: c) Art and Science

3. Scientific management is developed by ____________

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.

a) More b) Less

c) Multiple d) Additional

Ans.: b) Less

II. VERY SHORT ANSWER QUESTIONS

1. What is Management?

Management is goal oriented and it is an art of getting things done with and through others. Management is what a manager does.

2. List out the management tools.

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

3. Who is a manager?

A person responsible for controlling or administering an organization or group of staff. Manager is a salaried employee in the entity set up for carrying on the venture.

4. State the meaning of Authority.

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

5. What do you mean by span of management?

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

III. SHORT ANSWER QUESTIONS

1. Define the term management.

" To manage is to forecast,to plan, to organsise, to command, to co-ordinate and to control."- Henry Fayol.

"Management is a multipurpose organ that manages a business and manages manager, and manages worker and work." — Peter F. Drucker

2. Is management an Art or Science? Is management a science:

Management is an in-exact science, because in pure science, the principles are put into rest in a laboratory and they are either proved or disproved exactly or precisely. Where men, machine, money and materials are practically, intergrated towards achieving some chosen organization goals.

So, management can be described as an in exact science.

Is management is an Art:

Every one believes that management is an art. Because, the concept of art of deonotes the learning on skills and practicing them in the day to day life like a mason, carpenter, or mechanic or a musician being able to perform their respective art they learnt by way of skill display before anybody under any circumstances.

Management is both Art and Science.

Art is skill and practical. Science is contains general principles. So, Management is both Art and Science.

3. Differentiate management and administration.

BASIS FOR COMPARISON	MANAGEMENT	ADMINISTRATION
Meaning	An organized way of managing people and things of a business organization is called the Management.	The process of administering an organization by a group of people is known as the Administration.
Authority	Middle and Lower Level	Top level
Role	Executive	Decisive
Concerned with	Policy Implementation	Policy Formulation
Area of operation	It works under administration.	It has full control over the activities of the organization.

4.What are the principles of Taylor?

Principles of scientific management propounded by Taylor are

1. Science, Not Rule of thumb
2. Harmony, not discord
3. Mental revolution
4. Co-operation, not individualism
5. Development of each and every person to his or her greatest efficiency and prosperity.

5. What determines the span of management?

1. Capacity of superior:

Each manager or superior may have different ability and capacity in respect of such factors as leadership, communication, decision making, control affecting management of subordinates.

2. Capacity of subordinates:

Capacity of subordinates also affects the degree of span of management trained and experienced subordinates need lesser supervision than the new hands. A well-trained employee can solve simpler problem himself.

3. Nature of work:

In case of routine and respective operations, span can be wider as subordinates would not require frequent guidance from the supervisor.

IV. LONG ANSWER QUESTIONS

1. Write about the contribution of Drucker to management.

"Management is a multipurpose organ that manages a business and manages manager, and manages worker and work." — Peter F. Drucker.

Drucker stresses three jobs of management:

(i) Managing a business;

(ii) Managing manager;

and (iii) Managing workers and work.

- Even if one is omitted, It would not have management anymore and it also would not have a business enterprise or an industrial society.
- According to P. Drucker, the manager has to balance and integrate three major jobs of a business enterprise as mentioned above.
- Hence, a manager is a dynamic and life giving element in every business. Without efficient management it cannot be secure the best allocation and utilisation of human, material and financial resources.

2. Explain the management process in detail.

1. Management is Co-Ordination:

The manager of an enterprise must effectively coordinate all activities and resources of the organisation, namely, men, machines, materials and money the four M's of management.

2. Management is a Process:

The manager achieves proper coordination of resources by means of the managerial functions of planning, organising, staffing, directing (or leading and motivating) and controlling.

3. Management is a Purposive Process:

It is directed toward the achievement of predetermined goals or objectives. Without an objective, we have no destination to reach or a path to follow to arrive at our destination, i.e., a goal, both management and organisation must be purposive or goal-oriented.

4. Management is a Social Process:

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

5. Management is a Cyclical Process:

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

3. Describe the principles of scientific management.

Principles of scientific management propounded by Taylor are

1. Science, Not Rule of Thumb
2. Harmony, Not Discord
3. Mental Revolution
4. Cooperation, Not Individualism
5. Development of each and every person to his or her greatest efficiency and prosperity.

They are explained in brief as follows:

1. Science, Not Rule of Thumb:

In order to increase organisational efficiency, the 'Rule of Thumb' method should be substituted by the methods developed through scientific analysis of work.

Rule of Thumb means decisions taken by manager as per their personal judgments.

According to Taylor, even a small production activity like loading iron sheets into box cars can be scientifically planned.

This will help in saving time as well as human energy. Decisions should be based on scientific enquiry with cause and effect relationships.

2. Harmony, Not Discord:

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

Both the management and the workers should realize the importance of each other. In order to achieve this state, Taylor suggested complete mental revolution on the part of both management and workers.

3. Mental Revolution:

The technique of Mental Revolution involves a change in the attitude of workers and management towards each other.

Both should realize the importance of each other and should work with full cooperation. Management as well as the workers should aim to increase the profits of the organisation.

4. Cooperation, Not Individualism:

This principle is an extension of principle of 'Harmony, not discord' and lays stress on mutual cooperation between workers and the management.Cooperation, mutual confidence, sense of goodwill should prevail among both, managers as well as workers.

5. Development of each and everyperson to his or her greatest efficiencyand prosperity:

Efficiency of any organisation also depends on the skills and capabilities of its employees to a great extent.Thus, providing training to the workers was considered essential in order to learn the best method developed through the use of scientific approach.

To attain the efficiency, steps should be taken right from the process of selection of employees.

Employees should be scientifically selected. The work assigned to each employee should suit his/her physical, mental and intellectual capabilities.

Efficient employees produce more to earn more. This ultimately helps to attain efficiency and prosperity for both organisation and the employees.

4. Explain the principles of modern management.

Principles of Modern Management

The Father of Modern Management is Mr.Henry Fayol, and according to him there are 14 major principles of management which every manager has to practice for the success of the organization.

1. Division of Work:

According to this principle the whole work is divided into small tasks.

The specialization of the workforce according to the skills of a person, creating specific personal and professional development within the labour force and therefore increasing productivity; leads to specialization which increases the efficiency of labour.

2. Authority and Responsibility:

Authority means the right of a superior to give the order to his subordinates whereas responsibility means obligation for performance.

3. Discipline:

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

4. Unity of Command:

This principle states that each subordinate should receive orders and be accountable to one and only one superior.

If an employee receives orders from more than one superior, it is likely to create confusion and conflict.

5. Unity of Direction:

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

6. Subordination of Individual Interest to Mutual Interest:

The management must put aside personal considerations and put company objectives firstly.

Therefore the interests of goals of the organization must prevail over the personal interests of individuals.

7 Remuneration:

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

The quantum and methods of remuneration payable should be fair, reasonable and rewarding of effort.

8. The Degree of Centralization:

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

Centralization implies the concentration of decision making authority at the top management.

9. Line of Authority/Scalar Chain:

This refers to the chain of superiors ranging from top management to the lowest rank.

The principle suggests that there should be a clear line of authority from top to bottom linking all managers at all levels.

10. Order:

Social order ensures the fluid operation of a company through authoritative procedure.

Material order ensures safety and efficiency in the workplace. Order should be acceptable and under the rules of the company.

11. Equity:

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

Managers should be fair and impartial when dealing with employees, giving equal attention towards all employees.

12. Stability of Tenure of Personnel:

Stability of tenure of personnel is a principle stating that in order for an organization to run smoothly,

Personnel (especially managerial personnel) must not frequently enter and exit the organization.

13. Initiative:

Using the initiative of employeescan add strength and new ideas to an organization.

Initiative on the part ofemployees is a source of strength for organization because it provides new and better ideas.

Employees are likely to take greater interest in the functioning of the organization.

14. Esprit de Corps/Team Spirit:

This refers tothe need of managers to ensure and developmorale in the workplace; individually and communally.

Team spirit helps developan atmosphere of mutual trust and understanding.

Team spirit helps to finish the task on time.

5. Discuss the implications of span of management.

The Span of Management has two implications:

1. Influences the complexities of the individual manager‘s job

2. Determine the shape or configuration of the Organization

There is a wide and a narrow span of management.

Wide Span of Management:

- There will be less hierarchical levels, and thus, the organizational structure would be flatter
- It will be very difficult for a superior to manage a large number of subordinates at a time and also may not listen to all efficiently.
- Number of managers gets reduced in the hierarchy, and thus, the expense in terms of remuneration is saved.
- The subordinates feel relaxed and develop their independent spirits in a free work

environment, where the strict supervision is absent.

Narrow span of Management:

- The hierarchical levels increases, hence the organizational structure would be tall and more challenges.
- Less number of subordinates under one superior, requires more managers to be employed in the organization.
- It would be very expensive in terms of the salaries to be paid to each senior. Communication suffers drastically.
- Lack of coordination and control because the operating staff is far away from the top management.
- Cross communication gets facilitated, i.e., operative staff communicating with the top management. Also, the chance of promotion increases with the availability of several job positions.

$ UNIT I MANAGEMENT PROCESS ₹

2 CHAPTER FUNCTIONS OF MANAGEMENT

CHAPTER SYNOPSIS

1. MAIN FUNCTIONS
2. SUBSIDIARY FUNCTIONS

I. CHOOSE THE CORRECT ANSWERS

1 Which is the primary function of management?

(a) Innovating (b) Controlling

(c) Planning (d) Decision-making

Ans: C) Planning

2 Which of the following is not a main function?

(a) Decision-making (b) Planning

(c) Organising (d) Staffing

Ans:a) Decision-making

3 Distribution of work in groupwise or sectionwise is called as

(a) Co-ordinating (b) Controlling

(c) Staffing (d) Organising

Ans:d) Organising

4 Which of the following is verification function?

(a) Planning (b) Organising

(c) Staffing (d) Controlling

Ans:d) Controlling

II. Very Short Answer Questions:

1. Write a short note about Planning.

Planning is the primary function of management. Nothing can be Performed without planning.

Planning refers to deciding in advance. Planning should take place before doing.

2. What is meant by Motivation?

The goals are achieved with the help of motivation.

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

3. What is meant by Controlling?

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

It is the control function which facilitates synchronization of actual performance with predetermined standards.

4. How do you coordinate your classroom with peace?

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

5. What is meant by Innovation?

- Innovation refers to the preparation of personnel and organisation to face the changes made in the business world.
- Innovation includes developing new material, new products, new techniques in

production, new package, and new design of a product and cost reduction.

III. Short Answer Questions:

1. List out the main functions of management?

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

2. State the importance of staffing.

Staffing function comprises the activities of selection and placement of competent personnel.In other words, staffing refers to placement of right persons for the right jobs.

3. Bring out the subsidiary functions of management.

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

Representation- A manager has to act as representative of a company. It is the duty of every manager to have good relation with others.

Decision making- Decision making helps in the smooth functioning of an organisation.

Communication- Communication is the transmission of human thoughts, views or opinions from one person to another person.

4. State the importance of Motivation.

The goals are achieved with the help of motivation. Motivation includes increasing the speed of performance of a work and developing a willingness on the part of workers.

The workers expect favourable conditions to work,favourable climate conditions or non-monetary incentive, effective-communication and gentleman approach.

5 What are the main duties of a manager?

The primary role of a manager is to ensure the daily functioning of a department or group of employees.

Most employers expect their managers to interview, hire, and train new employees.

A manager articulates both short and long-term goals to ensure a company's longevity. Managers complete administrative work and correspond with other departments.

IV. Long Answer Questions:

1. Explain the various functions of management.

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

1. Planning

Think Before you Act' or 'Look Before you Leap' are some of the usual traditional proverbs; which provide a basis or logic for planning.

Planning is the primary function of management. Nothing can be performed without planning.

(For eg., Writing a book starts with planning). In short, planning refers to deciding in advance.

2. Organising

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

Organising function work is assigned to employees who are given authority to carry out the work assigned and made accountable for it.

3 Staffing

Staffing function comprises the activities of selection and placement of competent personnel. In other words, staffing refers to placement of right persons in the right jobs.

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

The success of any enterprise depends upon the successful performance of staffing function.

4. Directing

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

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

5. Controlling

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

The control function helps in identifying under performers and arranging remedial training for them.

It is the control function which facilitates synchronization of actual performance with predetermined standards.

6. Co-ordination

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

Co-ordination is included in every managerial function;

Eg (i) Planning and co-ordination, (ii).Organising and co-ordination,(iii) Staffing and co-ordination, (iv) Directing and co-ordination, (v) Motivation and co-ordination and (iv) Controlling and co-ordination.

All the activities are divided groupwise or sectionwise under organising function.

Now, such grouped activities are co-ordinated towards the accomplishment of objectives of an organisation.

7. Motivating

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

The workers expect, favourable climate conditions to work, fair treatment, monetary or non-monetary incentive, effective communication and gentleman approach.

II. Subsidiary Functions

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

1. Innovation

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

Continuous changes are being made in the business. Consumers are satisfied through innovation.

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

2. Representation A manager has to act as representative of a company.

Manager has dealings with customers, suppliers, government officials, banks, financial institutions, trade unions and the like.

It is the duty of every manager to have good relation with others.

3 Decision-making Every employee of an organisation has to take a number of decisions every day.

Decision- making helps in the smooth functioning of an organisation.

4. **Communication** Communication is the transmission of human thoughts, views or opinions from one person to another person.

Workers are informed about what should be done, where it is to be done, how it is do be done and when it is to be done.

Communication helps the regulation of job and co-ordinates the activities.

UNIT I

MANAGEMENT PROCESS

3 CHAPTER

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

CHAPTER SYNOPSIS

* MEANING AND DEFINITION OF MBO
* OBJECTIVES OF MBO
* FEATURES OF MBO
* PROCESS OF MBO
* ADVANTAGES OF MBO
* DISADVANTAGES OF MBO
* MEANING OF MBE
* PROCESS OF MBE
* ADVANTAGES OF MBE
* DISADVANTAGES OF MBE

I. Choose the Correct Answers:

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?.

(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

MBO is popularised in the USA by George Odiorne. According to him, "MBO is a system wherein the superior and the sub-ordinate managers of an organisation jointly identify its common goals, define each individual's major area of responsibility in terms of the result expected of him and use these measures guides for operating the unit and assessing the contribution of each of its members".

2. What are the objectives of MBO?

i. to measure and judge performance

ii. to relate individual performance to organisational goals

iii. to clarify both the job to be done and the expectations of accomplishment

3. Bring out the meaning of MBE.

Management by exception is an important principle of managerial control suggested by the classical writers on management.

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

Management by exception is a style of business management that focuses on identifying and handling cases that deviate from the norm.

4. Mention any two advantages of MBO?

1. Managers are involved in objectives setting at various levels of management under MBO and this commitment ensures hard work to achieve them.

2. MBO process helps the managers to understand their role in the total organisation.

5. Wrtie any two importance of MBE.

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

ii. It focuses managerial attention on major problems. As a result, there is better utilisation of managerial talents and energy.

6. What is known as KRA?

Key result areas are fixed on the basis of organisational objectives premises.

Key Result Areas (KRA) are arranged on a priority basis. KRA indicates the strength of an organisation.

The examples of KRA are profitability, market standing, innovation etc.

III. Short Answer Questions:

1. Write the features of MBO.

1. An attempt is made by the management to integrate the goals of an organisation and individuals. This will lead to effective management.
2. MBO tries to combine the long run goals of organisation with short run goals.
3. Management tries to relate the organisation goals with society goals.

2. What are the process involved in MBO?

1) Defining Organisational Objectives
2) Goals of Each Section
3) Fixing Key Result Areas
4) Setting Subordinate Objectives or Targets
5) Matching Resources with Objective
6) Periodical Review Meetings
7) Appraisal of Activities
8) Reappraisal of Objectives

3. What are the Process of MBE?

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

Next, the deviation gets analysed. With an insignificant or no deviation, no action is required and senior managers can concentrate on other matters.

If actual performances deviates significantly, the issue needs to be passed to the senior managers, as an “exception has occurred”.

Finally, the aim is to solve this “exception” immediately.

4. List out any Four process of MBO.

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

IV. Long Answer Questions:

1. What are the major advantages of MBO?

The advantages of MBO are explained below:

1. Managers are involved in objectives setting at various levels of management under MBO and this commitment ensures hard work to achieve them.
2. MBO process helps the managers to understand their role in the total organisation.
3. Manager recognises the need for planning and appreciates the planning.
4. MBO provides a foundation for participative management. Sub-ordinates are also involved in goal setting.
5. A department does not work at cross purpose with another department. In other words, each department’s objectives are consistent with the objectives of the whole organisation.
6. Systematic evaluation of performance is made with the help of MBO.
7. MBO gives the criteria of performance. It helps to take corrective action.

2. What are the advantages of MBE?

Management by exception provides the following benefits:

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

ii. It focuses managerial attention on major problems. As a result, there is better utilisation of managerial talents and energy.

iii. It facilitates delegation of authority. Top management concentrates on strategic decisions and operational decisions are left to the lower levels. There is increase in span of control. This leads to motivation and development of subordinates.

iv. It is a technique of separating important information from unimportant one. It forces managers to review past history and study related business data for identifying deviations. There is better use of knowledge of trends, history and available business data.

v. MBE keeps management alert to opportunities and threats by identifying critical problems. It can avoid uninformed and impulsive action.

vi. Management by exception provides better yardsticks for judging results. It is helpful in objective performance appraisal.

3. Explain the various disadvantages of MBO.

1. MBO fails to explain the philosophy; most of the executives do not know how MBO works? what is MBO? and why is MBO necessary? and how participants can benefit by MBO?

2. MBO is a time consuming process. Much time is needed by senior people for framing the MBO. Next,it leads to heavy expenditure and also requires heavy paper work.

3. MBO emphasises only on short-term objectives and does not consider the long-term objectives.

4. The status of subordinates is necessary for proper objectives setting. But, this is not possible in the process of MBO.

5. MBO is rigid one. Objectives should be changed according to the changed circumstances, external or internal. If it is not done, the planned results cannot be obtained.

4. Discuss the disadvantages of MBE.

i. The main disadvantage of MBE is, only managers have the power over really important decisions, which can be demotivating for employees at a lower level.

ii. Furthermore, it takes time to pass the issues to managers. Managing employees who deviate from the normal procedures.

Because of compliance failures are considered difficult to manage and typically find themselves with limited job duties and ultimately dismissed/ terminated.

UNIT II

4 CHAPTER

FINANCIAL MARKETS - I

INTRODUCTION TO FINANCIAL MARKETS

CHAPTER SYNOPSIS

MEANING AND DEFINITION OF FINANCIAL MARKET
SCOPE OF INDIAN FINANCIAL MARKET
TYPES OF FINANCIAL MARKETS
ROLE OF FINANCIAL MARKET
FUNCTIONS OF FINANCIAL MARKET
NEW ISSUE MARKET (NIM) VS. SECONDARY MARKET

I. Choose the Correct Answers:

1. Financial market facilitates business firms

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

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

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

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?

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?

Regulators Financial Institutions Financial Markets Financial Services

2. Write a note on financial market.

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

3. What is equity market?

Equity Market is the financial market for trading in Equity Shares of Companies.

4. What is debt market?

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

5. How is prize decided in a secondary market?

Fluctuates, depends on the demand and supply force

III. Short Answer Questions:

1. Give the meaning and definition of financial market.

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

According to Brigham, Eugene F, "The place where people and organizations wanting to borrow money are brought together with those having surplus funds is called a financial market."

2. Differentiate spot market from future market.

(i) Cash/Spot Market is a market where the delivery of the financial instrument and payment of cash occurs immediately. i.e. settlement is completed immediately.

(ii) Forward or Futures Market is a market where the delivery of asset and payment of cash takes place at a pre-determined time frame in future.

3. Write a note on Secondary Market.

Meaning:

The place where formerly issued securities are traded is known as Secondary Market.(Resale Market)

Buying: Indirect

Financing: It does not provide funding to companies

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

The financial market provides financial assistance to individuals, agricultural sectors, industrial sectors, service sectors, financial institutions like banks, insurance sectors, provident funds and the government as a whole.

With the help of the financial market all the above stated individuals, institutions and the Government can get their required funds in time.

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

IV. Long Answer Questions:

1. Distinguish between new issue market and secondary market.

BASIS FOR COMPARISON	NEW ISSUE MARKET	SECONDARY MARKET
Meaning	The market place for new shares is called primary market. (Initial Issues Market)	The place where formerly issued securities are traded is known as Secondary Market. (Resale Market)
Buying	Direct	Indirect
Financing	It supplies funds to budding enterprises and also to existing companies for expansion and diversification	It does not provide funding to companies
How can securities be sold?	Only once	Multiple times
Buying and Selling between	Company and Investors	Investors
Gained person	Company	Investors
Intermediary	Underwriters	Brokers

2. Enumerate the different kinds of financial markets.

Types of Financial Markets

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

a. On the Basis of Type of Financial Claim

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

(ii) **Equity Market** is the financial market for trading in Equity Shares of Companies.

b. On the Basis of Maturity of Financial Claim

(i) **Money Market** is the market for short term financial claim (usually one year or less)

E.g. Treasury Bills, Commercial Paper, Certificates of Deposit

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

c. On the Basis of Time of Issue of Financial Claim

(i) **Primary Market** is a term used to include all the institutions that are involved in the sale of Here the money from investors goes directly to the issuers.

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

d. On the Basis of Timing of Delivery of Financial Claim

(i) **Cash/Spot Market** is a market where the delivery of the financial instrument and payment of cash occurs immediately. i.e. settlement is completed immediately.

(ii) **Forward or Futures Market** is a market where the delivery of asset and payment of cash takes place at a pre-determined time frame in future.

e. On the Basis of the Organizational Structure of the Financial Market

(i) **Exchange Traded Market** is a centralized organization (stock exchange) with standardized procedures.

(ii) **Over–the–Counter Market** is a decentralized market (outside the stock exchange) with customized procedures.

The above classification is not rigid. One market may come under more than one category.

3. Discuss the role of financial market.

(i) Savings Mobilization

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

(ii) Investment

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

(iii) National Growth

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

Flow of funds for productive purposes is also made possible. It leads to overall economic growth.

(iv) Entrepreneurship Growth

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

(v) Industrial Development

The different components of financial markets help an accelerated growth of industrial and economic development of a country and thus contributing to raising the standard of living and the society's well-being.

4. What are the functions of Financial Markets?

I. Intermediary Functions

The intermediary functions of a financial market include the following:

(i) **Transfer of Resources:** Financial markets facilitate the transfer of real economic resource from lenders to ultimate borrowers.

(ii) **Enhancing Income:** Financial markets allow lenders earn interest/dividend on their surplus investible funds and thus contributing to the enhancement of the individual and the national income.

(iii) Productive Usage: Financial markets allow for the productive use of the funds borrowed and thus enhancing the income and the gross national production.

(iv) Capital Formation: Financial markets provide a channel through which new savings flow to aid capital formation of a country.

II. Financial Functions

The financial functions of a financial market include the following:

(i) Providing the borrowers with funds so as to enable them to carry out their investment plans

(ii) Providing the lenders with earning assets so as to enable them to earn wealth by deploying theassets in productive ventures

(iii) Providing liquidity in the market so as to facilitate trading of funds.

5. Discuss the various types of Financial markets.

a. On the Basis of Type of Financial Claim

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

(ii) Equity Market is the financial market for trading in Equity Shares of Companies.

b. On the Basis of Maturity of Financial Claim

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

(ii) Capital Market is the market for long term financial claim more than a year E.g.

Shares, Debentures

c. On the Basis of Time of Issue of Financial Claim

(i) Primary Market is a term used to include all the institutions that are involved in the sale of securities for the first time by the issuers (companies).

Here the money from investors goes directly to the issuers.

(ii) Secondary Market is the market for securities that are already issued. Stock Exchange is an important institution in the secondary market.

d. On the Basis of Timing of Delivery of Financial Claim

(i) Cash/Spot Market is a market where the delivery of the financial instrument and payment of cash occurs immediately.

i.e. settlement is completed immediately.

(ii) Forward or Futures Market is a market where the delivery of asset and payment of cash takes place at a pre-determined time frame in future.

e. On the Basis of the Organizational Structure of the Financial Market

(i) Exchange Traded Market is a centralized organization (stock exchange) with standardized procedures.

(ii) Over–the–Counter Market is a decentralized market (outside the stock exchange) with customized procedures.

UNIT II

5 CHAPTER

FINANCIAL MARKETS - I

CAPITAL MARKET

CHAPTER SYNOPSIS

MEANING AND DEFINITION
CHARACTERISTICS OF CAPITAL MARKET
KINDS OF CAPITAL MARKET
FUNCTIONS AND IMPORTANCE OF CAPITAL MARKET
INDIAN CAPITAL MARKET – EVOLUTION AND GROWTH
NEW FINANCIAL INSTITUTIONS

I. Choose the Correct Answers:

1. Capital market do not provide

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

a) 1990 b) 1992 c) 1998 d) 1997

Ans: b) 1992

3. Primary market is a Market where securities are traded in the

a) First Time b) Second Time
c) Three Time d) Several Times

Ans: a) First Time

4. Participants in the capital market includes

a) Individuals b) Corporate
c) Financial Institutions d) All of the above

Ans: d) All of the above

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

a) Only One Time b) Two Time
c) Three Times d) Multiple Times

Ans: d) Multiple Times

II. Very Short Answer Questions:

1. What is Capital Market?

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

2. Write a note on OTCEI.

The OTCEI was set up by a premier financial institution to allow the trading of securities across the electronic counters throughout the country.

It addresses some specific problems of both investors and medium-size companies.

Some of the greatest strengths of OTCEI are transparency of transactions, quick deals, faster settlements and better liquidity.

3. What is Mutual Fund?

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

4. Who are the participants in a Capital Market?

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

5. How is price determined in a Capital Market?

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

III. Short Answer Questions:

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

I Primary Market

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

The primary market deals with those securities which are issued to the public for the first time.

In the primary market, borrowers exchange new financial securities for long term funds. Thus, primary market facilitates capital formations.

(i) Public Issue

(ii) Rights Issue

(iii) Private Placement

II Secondary Market

Secondary Market may be defined as the market for old securities, in the sense that securities which are previously issued in the primary market are traded here.

The trading takes place between investors who follow the original issue in the primary market. It covers both stock exchange and over-the counter market.

2. Explain any two functions of Capital Market.

(i) Savings and Capital Formation

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

The twin features of reasonable return and liquidity in stock exchange are definite incentives to the people to invest in securities.

This accelerates the capital formation in the country.

(ii) Permanent Capital

The existence of a capital market/stock exchange enables companies to raise permanent capital.

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

The stock exchange resolves this dash of interests by offering an opportunity to investors to buy or sell their securities, while permanent capital with the company remains unaffected.

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

a. National Trade Comparison and Reporting System which prescribes the terms and conditions of contract for the securities market

b. National Clearing System which aims at determining the net cash and stock liability of each broker on a settlement date

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

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

Indian Capital Market – Evolution and Growth

The period between 1947 and 1973 marked the development of infrastructure for capital market.

During this period, a network of development financial institutions such as IFCI, ICICI, IDBI and UTI, SFCs and SIDCs were established.

These financial institutions strengthened the capital market.

During the period between 1980 and 1992, debenture emerged as a powerful instrument of resource mobilization in the primary market.

The public sector bonds were introduced. A number of stock exchanges came into existence. There was a momentous growth in the secondary market.

SEBI emerged as an effective regulatory body for the primary and secondary markets and afford a measure of protection to small investors.

New financial services such as credit rating was introduced.

A number of committees were constituted in order to suggest measures to revamp and restructure the working of the secondary market and cause buoyancy in the primary market.

Some of these committees were: Committee on Organization and Management of Stock Exchange, Working group on the Development of the Capital Market,

A Study Group for Guidelines Relating to Valuation and New Instruments,

A High Powered Study Group on Establishment of New Stock Exchange,

A Committee on Trading in Public Sector Bonds and Units of Mutual Funds.

5. Explain about Factoring and Venture Capital Institutions.

(i) Venture Fund Institutions

Venture capital financing is a form of equity financing designed especially for funding new and innovative project ideas.

Venture capital funds bring into force the hi-technology projects which are converted into commercial production.

Many specialized financial institutions have promoted their own venture capital funds.

They include Risk Capital Foundation of IFCI, Venture Fund of IDBI, SIDBI, Technology Development and Infrastructure Corporation of India (TDICI), and others.

(ii)Factoring Institutions

"Factoring" is an arrangement whereby a financial institution provides financial accommodation on the basis of assignment/sale of account receivables.

The factoring institutions collect the book debts for and on behalf of its clients. Some of the factoring institutions operating in India are SBI Factors and Commercial Services Private Limited, a subsidiary of State Bank of India and Canbank Factors Limited, a subsidiary of Canara Bank.

IV. Long Answer Questions:

1. Discuss the characters of a Capital Market.

(i) Securities Market

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

(ii)Price

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

(iii) Participants

There are many players in the capital market.

The participants of the capital market include individuals, corporate sectors, Govt., banks and other financial institutions.

(iv) Location

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

It has its impact in the overall economy, wherever suppliers and users of capital get together and do business.

(v)Market for Financial Assets

Capital market provides a transaction platform for long term financial assets.Capital market is not confined to certain specific locations, although it is true that parts of the market are concentrated in certain well-known centers known as Stock Exchanges.

It has its impact in the overall economy, wherever suppliers and users of capital get together and do business.

(v) Market for Financial Assets

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

2. Briefly explain the functions of capital market.

(i) Savings and Capital Formation

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

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.

(ii) Permanent Capital

The existence of a capital market/stock exchange enables companies to raise permanent capital.

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

The stock exchange resolves this dash of interests by offering an opportunity to investors to buy or sell their securities, While permanent capital with the company remains unaffected.

(iii) Industrial Growth

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

The existence of such an institution encourages people to invest in productive channels.

Thus it stimulates industrial growth and economic development of the country by mobilizing funds for investment in the corporate securities.

(iv) Ready and Continuous Market

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

Easy marketability makes investment in securities more liquid as compared to other assets.

(v) Reliable Guide to Performance

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

(vi) Proper Channelizationof Funds

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

This ensures effective utilisation of funds in the public interest.

3. Explain the various types of New Financial Institutions.

(i) Venture Fund Institutions

Venture capital financing is a form of equity financing designed especially for funding new and innovative project ideas.

Venture capital funds bring into force the hi-technology projects which are converted into commercial production.

Many specialized financial institutions have promoted their own venture capital funds.

They include Risk Capital Foundation of IFCI, Venture Fund of IDBI, SIDBI, Technology Development and Infrastructure Corporation of India (TDICI), and others.

(ii) Mutual Funds

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

A mutual fund company invests the funds pooled from shareholders and gives them the benefit of diversified investment portfolio and a reasonable return.

Specialized financial institution like LIC, UTI, etc., beside commercial banks such as SBI, and Canara Bank are carrying out the business of mutual funds.

The benefits of mutual fund are high return, easy liquidity, safety and tax benefits to the investors.

(iii) Factoring Institutions

"Factoring" is an arrangement whereby a financial institution provides financial accommodation on the basis of assignment/ sale of account receivables.

The factoring institutions collect the book debts for and on behalf of its clients.

Some of the factoring institutions operating in India are SBI Factors and Commercial Services Private Limited, a subsidiary of State Bank of India and Canbank Factors Limited, a subsidiary of Canara Bank.

(iv) Over the Counter Exchange of India (OTCEI)

The OTCEI was set up by a premier financial institution to allow the trading of securities across the electronic counters throughout the country.

It addresses some specific problems of both investors and medium-size companies.

Some of the greatest strengths of OTCEI are transparency of transactions, quick deals, faster settlements and better liquidity.

(v)National Stock Exchange of India Limited (NSEI)

NSEI was established in 1992 to function as a model stock exchange.

The Exchange aims at providing the advantage of nation-wide electronic screen based “scripless” and “floorless” trading system in securities.The institution is expected to allow for an efficient and transparent system of securities trading.

UNIT II

FINANCIAL MARKETS -I

6 CHAPTER

MONEY MARKET

CHAPTER SYNOPSIS

MEANING AND DEFINITION
CHARACTERISTICS
DIFFERENCE BETWEEN CAPITALMARKET AND MONEY MARKET
PARTICIPANTS IN MONEY MARKET
MONEY MARKET INSTRUMENTS
TREASURY BILLS
CERTIFICATE OF DEPOSIT
COMMERCIAL BILLS
GOVERNMENT OR GILT-EDGED SECURITIES MARKET.

I.Choose the Correct Answers:

1. The money invested in the call money market provides high liquidity with

a) Low Profitability
b) High Profitability
c) Limited Profitability
d) Medium Profitability

Ans: a) Low Profitability

2. A major player in the money market is the________

a) Commercial Bank
b) Reserve Bank of India
c) State Bank of India
d) Central Bank.

Ans: a) Commercial Bank

3. Money Market provides __________

a) Medium-term Funds
b) Short-term Funds
c) Long-term Funds d) Shares

Ans: b) Short-term Funds

4. Money Market Institutions are .

a) Investment Houses b) Mortgage Banks
c) Reserve Bank of India
d) Commercial Banks and Discount Houses.

Ans: d) Commercial Banks and Discount Houses.

5. Risk in the Money Market is.

a) High b) Market Risk
c) Low Credit and Market Risk
d) Medium Risk

Ans: c) Low Credit and Market Risk

6. Debt Instruments are issued by Corporate Houses are raising short-term financial resources from the money market are called________

a) Treasury Bills
b) Commercial Paper
c) Certificate of Deposit
d) Government Securities

Ans: b) Commercial Paper

7. The market for buying and selling of Commercial Bills of Exchange is known as a________

a) Commercial Paper Market

b) Treasury Bill Market

c) Commercial Bill Market

d) Capital Market

Ans: c) Commercial Bill Market

8. A marketable document of title to a time deposit for a specified period may be referred to as a___________

a) Treasury Bill

b) Certificate of Deposit

c) Commercial Bill

d) Government. Securities

Ans: b) Certificate of Deposit

9. Treasury Bills commands .

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

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".

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

2. What is commercial bill market?

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

It possesses the advantages like self-liquidating in nature, recourse to two parties, knowing exact date of transactions, transparency of transactions etc.,

3. What is a CD market?

Certificate of Deposits are short-term deposit instruments issued by banks and financial institutions to raise large sums of money.

Certificate of Deposits are issued in the form of usance promissory notes.

4. What is Government Securities Market?

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

5. What are the Instruments of Money Market?

i. Treasury Bills in the Treasury Market

ii. Money at Call and Short Notice in the Call Loan Market

iii. Commercial Bills and Promissory Notes in the Bill Market

Now in addition to the above, the following new instruments come into existence: i.Commercial Papers

ii. Certificate of Deposits

iii. Inter-Bank participation Certificates. iv.Repo Instruments.

6. Explain the two oldest money markets.

London Money Market is the oldest, most developed and leading Money Market in the world.

New York Money Market is ranked as the second well-developed Money Market in the world next only to the London Money Market.

7. What do you meant by Auctioning?

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

8. What do you meant by Switching?

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

III. Short Answer Questions:

1. What are the features of Treasury Bills?

Treasury Bills incorporate the following general features. 1.Issuer

2. Finance Bills

3. Liquidity 4.Vital Source

5.Monetary Management

2. Who are the participants of Money Market?

There are many participants operating in the Money Market.

The participants deal with the money market instruments like Treasury Bills, Commercial Bills, Commercial Papers, etc.,

1. Government of different countries 2.Central Banks of different countries 3.Private and Public Banks 4.Mutual Funds Institutions 5.Insurance Companies 6.Non-Banking Financial Institutions 7.RBI and SBI 8.Commercial Banks 9.State Governments 10.Public

3. Explain the types of Treasury Bills?

1) 91 days Treasury Bills 2) 182 days Treasury Bills and 3) 364 days Treasury Bills

4. What are the features of Certificate of Deposit?

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

5. What are the types of Commercial Bill?

a. Demand and Usance Bills
b. Clean bills and documentary Bills
c. Inland bills and Foreign Bills
d. Indigeneous Bills
e. Accommodation and supply Bills

IV. Long Answer Questions:

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

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

Capital market can be defined as "a market for borrowing and lending of long-term capital funds required by business enterprises".

Money Market vs. Capital Market

The difference between a money market and capital market is briefly stated in the following table.

Sl. No	Features	Money Market	Capital Market
1	**Duration of Funds**	It is a market for short-term loanable funds for a period of not exceeding one year.	It is a market for long-term funds exceeding period of one year.
2	**Supply of Funds**	This market supplies funds for financing current business operations working capital requirements of industries and short period requirements of the government.	This market supplies funds for financing the fixed capital requirements of trade and commerce as well as the long-term requirements of the government.
3	**Deals with Instruments**	It deals with instruments like commercial bills (bill of exchange, treasury bill, commercial papers etc.).	It deals with instruments like shares, debentures, Government bonds, etc.,

4	**Money Value**	Each single money market instrument is of large amount. A treasury bill is of minimum for one lakh. Each certificate of deposits or commercial paper is for minimum of Rs 25 lakh.	Each single capital market instrument is of small amount. Each share value is Rs 10. Each debenture value is Rs 100.
5	**Role of Major Institution**	The central bank and commercial banks are the major institutions in the money market.	Development banks and Insurance companies play a dominant role in the capital market.
6	Availability of Instrument	Money Market Instruments generally donot have secondary market.	Capital Market instruments generally have secondary markets
7	Subdivision	In money market there is no such subdivision.	In capital market there is a division of primary market and secondary market.
8	**Place of Transaction**	Transactions mostly take place over the phone and there is no formal place.	Transactions take place at a formal place. Eg. stock exchange.

2. Explain the characteristics of Money Market?

1. Short-term Funds

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

2. Maturity Period

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

3. Conversion of Cash

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

4. No Formal Place

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

Relevant documents and written communications can be exchanged

Subsequently. There is no formal place like stock exchange as in the case of a capital market.

5. Sub-markets

It is not a single homogeneous market.

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

3. Explain the Instruments of Money Market?

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

i. Treasury Bills in the Treasury Market

ii. Money at Call and Short Notice in the Call Loan Market

iii. Commercial Bills and Promissory Notesin the Bill Market

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

i.Commercial Papers

ii. Certificate of Deposits

iii. Inter-Bank participation Certificates.
iv.Repo Instruments.

1. Treasury Bill Market

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

2. Certificate of Deposits

Certificate of Deposits are short-term deposit instruments issued by banks and financial institutions to raise large sums of money.

Certificate of Deposits are issued in the form of usance promissory notes.

3. Commercial Bills

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

It possesses the advantages like self-liquidating in nature, recourse to two parties, knowing exact date of transactions, transparency of transactions etc.,

4. Government or Gilt-Edged Securities Market

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

4. Explain the features and types of Commercial Bills?

Features

The features of the Commercial Bills are as follows:

1. Drawer
2. Acceptor
3. Payee
4. Discounter
5. Endorser
6. Assessment
7. Maturity
8. Credit Rating

Types

a. Demand and Usance Bills

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

b. Clean bills and documentary Bills

Bills that are accompanied by documents of title to goods are called documentary bills.

Clean bills are drawn without accompanying any document.

E.g. Railway Receipt and Lorry Receipt

c. Inland bills and Foreign Bills

Bills that are drawn and payable in India on a person who is resident in India are called inland bills.

Bills that are drawn outside India and are payable either in India or outside India are called foreign bills.

d. Indigeneous Bills

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

e. Accommodation and supply Bills

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

5. What are the features of Government Securities?

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

1. Agencies

Government securities are issued by agencies such as Central Government, State Governments, semi-government authorities like local Government authorities, e.g. municipalities, autonomous institution such as metropolitan authorities, port trusts etc.,

2. RBI Special Role

RBI takes a special and an active role in the purchase and sale of these securities as part of its monetary management exercise.

3. Nature of Securities

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

4. Liquidity Profile

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

5. 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.

6. Market

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

The Government securities market in India has two segments namely primary market and secondary market.

7. Forms

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

UNIT III

FINANCIAL MARKETS - II

7 CHAPTER

STOCK EXCHANGE

CHAPTER SYNOPSIS

STOCK EXCHANGE – ORIGIN, MEANING ANDDEFINITION
FUNCTIONS OF STOCK EXCHANGE
FEATURES OF STOCK EXCHANGE
BENEFITS AND LIMITATIONS OF STOCK EXCHANGE
STOCK EXCHANGES IN INDIA
TYPES OF SPECULATORS
STOCK EXCHANGE VS. COMMODITY EXCHANGE
RECENT DEVELOPMENT IN STOCK EXCHANGE

I. Choose the Correct Answers:

1. ________ is the oldest stock exchange in the world.

a) London Stock Exchange
b) Bombay Stock Exchange
c) National Stock Exchange
d) Amsterdam Stock Exchange

Ans: a) London Stock Exchange

2. There are stock exchange in the country.

a) 21 b) 24 c) 20 d) 25

Ans: a) 21

3. Stock exchanges deal in

a) Goods b) Services
c) Financial Securities
d) Country's Currency

Ans: c) Financial Securities

4. Stock exchange allow trading in

a) All types of Shares of any Company
b) Bonds issued by the Govt
c) Listed Securities
d) Unlisted Securities

Ans: c) Listed Securities

5. Jobbers transact in a stock exchange

a) For their Clients
b) For their Own Transactions
c) For other Brokers
d) For other Members

Ans: b) For their Own Transactions

6. A pessimistic speculator is_______

a) Stag b) Bear c) Bull d) Lame Duck

Ans: b) Bear

7. An optimistic speculator is______

a) Bull b) Bear c) Stag d) Lame duck

Ans: a) Bull

8. A bull operator believes in______

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.

a) Market Quotations

b) Trade Quotations

c) Business Quotations

d) Buyers Quotations

Ans: a) Market Quotations

10. The rules and regulations of Stock exchange is framed by guide lines.

a) RBI b) Central Government

c) SEBI d) BSE

Ans: c) SEBI

II. Very Short Answer Questions:

1. What is meant Stock Exchange?

Stock Exchange is an organized market for the purchase and sale of industrial and financial security.

It is a convenient place where trading in securities is conducted in a systematic manner i.e. as per certain rules and regulations.

2. Define Stock Exchange.

According to Hastings, "Stock exchange or securities market comprises all the places where buyers and sellers of stocks and bonds or their representatives undertake transactions involving the sale of securities."

3. Write any 5 Stock Exchanges in India.

i. The Bombay Stock Exchange

ii. The Ahmedabad Stock Exchange Association Ltd.

iii. Bangalore Stock Exchange Ltd.

iv. Bhubaneshwar Stock Exchange

v. The Calcutta Stock Exchange Association Ltd.

4. What is meant by Remisier?

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

5. Who is called a Broker?

Brokers are commission agents, who act as intermediaries between buyers and sellers of securities.

They do not purchase or sell securities on their behalf. They bring together the buyers and sellers and help them in making a deal.

6. What are the types of Speculator?

Bull Bear Stag

Lame Duck

7. What is meant by Commodity Exchange?

A commodity exchange is an exchange where commodities are traded.

Tradable commodities fall into the following categories.

Metals (e.g. gold, silver,copper) Energy (e.g. crude oil, natural gas)

Agricultural (e.g. rice, wheat, cocoa) Livestock and meat(e.g. live cattle, lean hog)

8. Mention the Recent Development in Stock Exchange?

The structure of stock market in India has undergone a vast change due to the liberalization process initiated by the Government.

A number of new structures have been added to the existing structure of the Indian stock exchange.

9. What is the stock trading time in India?

The trading time for commodity (MCX) market is between 10:00 a.m. to 11:30 a.m. Monday to Friday.

The normal trading time for Agri-community (NCDEX) market is between 10:00 a.m. to 05:00 p.m. Monday to Friday.

In addition, there is no lunch break or tea break in the Indian stock market timings. The timings of the Indian stock market are divided into three sessions:

1. Normal session (also called continuous session)
2. Pre-opening session
3. Post-closing session

10. Explain Dalal Street.

Dalal Street is an area in downtown Mumbai, India, that houses the Bombay Stock Exchange (BSE) – the largest stock exchange in India – and other reputable financial institutions.

It received the name Dalal Street after the Bombay Stock Exchange moved to the area in 1874 and became the first stock exchange recognized by the Indian Government.

III. Short Answer Questions:

1. What are the limitations of Stock exchange?

The limitations of stock exchange are as follows

i. Lack of uniformity and control of stock exchanges.

ii. Absence of restriction on the membership of stock exchanges.

iii. Failure to control unhealthy speculation.

iv. Allowing more than one charge in the place.

2. Explain Bull and Bear.

Bull

A Bull or Tejiwala is an operator who expects a rise in prices of securities in the future.

In anticipation of price rise he makes purchases of shares at present and other securities with the intention to sell at higher prices in future.

He is called bull because just like a bull tends to throw his victim up in the air, the bull speculator stimulates the price to rise.

He is an optimistic speculator.

Bear

A bear or Mandiwala speculator expects prices to fall in future and sells securities at present with a view to purchase them at lower prices in future.

A bear does not have securities at present but sells them at higher prices in anticipation that he will supply them by purchasing at lower prices in future.

A bear usually presses its victim down to ground. Similarly the bear speculator tends to force down the prices of securities.

A bear is a pessimistic speculator.

3. Explain Stag and Lame Duck.

Stag

A stag is a cautious speculator in the stock exchange. He applies for shares in new companies and expects to sell them at a premium, if he gets an allotment.

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

He sells the shares before being called to pay the allotment money. He is also called a premium hunter.

Lame Duck

When a bear finds it difficult to fulfill his commitment, he is said to be struggling like a lame duck.

A bear speculator contracts to sell securities at a later date.

On the appointed time he is not able to get the securities as the holders are not willing to part with them.

In such situations, he feels concerned. Moreover, the buyer is not willing to carry over the transactions.

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

National stock market system was advocated by the - High Powered Group on the Establishment of New Stock Exchanges headed by Shri.M.J.Pherwani (popularly known as Pherwani Committee). At present the National Stock Market in India comprises the following:

1. National Stock Exchange of India Limited (NSE)
2. Stock Holding Corporation of India Limited (SHCIL)
3. National Clearing and Depository System (NCDS)
4. Securities Trading Corporation of India (STCI)
5. National Securities Depositary Limited (NSDL)

5. Explain National Stock Exchange. (NSE)

NSE was incorporated in November, 1992. It is a country wide, screen based, online and order driven trading system.

It uses satellite link to spread trading throughout the country thereby connecting members scattered all over the India.

Through computer network, member's orders for buying and selling within prescribed price are matched by central computer with each other and instantly communicate to the trading member.

NSE has two segments, i.e., Debt segment and Capital segment.

It has ushered in transparent, screen based and user friendly trading of global standards.

It has revolutionised stock trading in India.

IV. Long Answer Questions:

1. Explain the functions of Stock Exchange. (Any 5)

The various functions of a Stock Exchange are explained below.

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)

1. Market for Securities

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

2. Deals in Second Hand Securities

It deals with shares, debentures bonds and such securities already issued by the companies.

In short, it deals with existing or second hand securities and hence it is called secondary market.

3. Regulates Trade in Securities

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

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

4. Allows Dealings only in Listed Securities

In fact, stock exchanges maintain an official list of securities that could be purchased and sold on its floor.

Securities which do not figure in the official list of stock exchange are called unlisted securities.

Such unlisted securities cannot be traded in the stock exchange.

5. Transactions Effected only through Members

All the transactions in securities at the stock exchange are effected only through its authorised brokers and members.

Outsiders or direct investors are not allowed to enter in the trading circles of the stock exchange.

Investors have to buy or sell the securities at the stock exchange through the authorised brokers only.

3. Explain the Benefits of Stock Exchange.

A. Benefits to the Community

i. Economic Development

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

ii. Fund Raising Platform

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

iii. Tools to Divert Resources

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

iv. Capital Formation

It encourages capital formation.

B. Benefits to the Company

i. Enhances Goodwill or Reputation

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

ii. Wide Market

There is a wide and ready market for such securities.

iii. Raises huge funds

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

C. Benefits to Investors

i. Liquidity

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

ii. Adding collateral value of security

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

iii. Investor protection

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

4. Distinguish between Stock Exchange and Commodity Exchange.

Stock Exchange Vs Commodity Exchange.

Sl.No	Feature	Stock Exchange	Commodity Exchange
1.	Meaning	Stock Exchange (also called Stock Market or Share Market) is one important constituent of capital market. Stock Exchange is an organized market for the purchase and sale of industrial and financial security. It is convenient place where trading in securities is conducted in a systematic manner i.e. as per certain rules and regulations.	A commodity exchange is an exchange where commodities are traded. Tradable commodities fall into the following categories. Metals (e.g. gold, silver,copper) Energy (e.g. crude oil, natural gas) Agricultural (e.g. rice, wheat, cocoa) Livestock and meat (e.g. live cattle, lean hog)
2.	Function	Providing easy marketability	Offering hedging or price insurance services and liquidity to securities.
3.	Object	Object is facilitating capital formation and making best use of capital resources	Object is facilitating goods flow through risk reduction
4.	Participants	Investors and Speculators	Producers, dealers, traders and a body of speculators.
5.	Period of dealings	Cash, ready delivery and dealings for account for a fortnight	Instant cash dealings and a settlement period of 2 or 3 months for Future Market dealings
6.	Articles Traded	Industrial securities such as stocks and bonds and government securities.	Only durable, graded and goods having large volume of trade, price uncertainty and uncontrolled supply

5. Explain Lombard street and Wall street.

Lombard Street

Lombard Street, London, is a street notable for its connections with the City of London's merchant, banking and insurance industries, stretching back to medieval times.

From Bank junction, where nine streets converge by the Bank of England, Lombard Street runs southeast for a short distance before bearing left into a more easterly direction, and terminates at a junction with Grace church Street and Fenchurch Street. Its overall length is 260 metres.

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

Wall Street

Wall Street is a street in lower Manhattan that is the original home of the New York Stock Exchange and the historic headquarters of the largest U.S. brokerages and investment banks.

The term Wall Street is also used as a collective name for the fi nancial and investment community, which includes stock exchanges and large banks, brokerages, securities and underwriting fi rms, and big businesses.

Today, brokerages are geographically diverse, allowing investors free access to the same information available to Wall Street's tycoons.

UNIT III

FINANCIAL MARKETS - II

8 CHAPTER

SECURITIES EXCHANGE BOARD OF INDIA (SEBI)

CHAPTER SYNOPSIS

INTRODUCTION OF SEBI
OBJECTIVES OF SEBI
FUNCTIONS OF SEBI
POWERS OF SEBI
DEMATERIALIZATION
BENEFITS OF DEMATERIALIZATION

I. Choose the Correct Answers:

1. Securities Exchange Board of India was first established in the year

a) 1988 b) 1992 c) 1995 d) 1998

Ans: a) 1988

2. The headquarters of SEBI is

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?

a) 1988 b) 1992 c) 2014 d) 2013

Ans: a) 1988

4. Registering and controlling the functioning of collective investment schemes as

a) Mutual Funds b) Listing
c) Rematerialisation d) Dematerialization

Ans: a) Mutual Funds

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 is 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: a) Permanent Amount Number

II. Very Short Answer Questions:

1. Write a short notes on SEBI.

Securities and exchange Board of India (SEBI) was first established in the year 1988 as a non-statutory body for regulating the securities market.

SEBI Act 1992 being passed by the Indian Parliament. SEBI has its headquarters at the business district of BandraKurla Complex in Mumbai,and has Northern, Eastern, Southern and Western Regional Offices in New Delhi, Kolkata, Chennai and Ahmedabad respectively.

2. Write any two objectives of SEBI.

1. Regulation of Stock Exchanges
2. Protection to the Investors

3. What is Demat account?

Ademat account is to shares what a bank account is to money.

Like the bank account, a demat account holds the certificates of financial instruments like shares, bonds, government securities, mutual funds and exchange traded funds (ETFs).

4. Mention the headquarters of SEBI.

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

5. What are the various ID proofs?

Proof of identity: PAN card, voter's ID, passport, driver's license, bank attestation, IT returns, electricity bill, telephone bill, ID cards with applicant's photo issued by the central or state government.

III. Short Answer Questions:

1. What is meant by Dematerialization?

Dematerialization is the process by which physical share certificates of an investor are taken back by the company/registrar and destroyed.

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

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

Proof of identity: PAN card, voter's ID, passport, driver's license, bank attestation, IT returns, electricity bill, telephone bill, ID cards with applicant's photo issued by the central or state government.

Proof of address: Ration card, passport, voter ID card, driving license, bank passbook or bank statement, verified copies of electricity bills, residence telephone bills, leave and license agreement or agreement for sale, self-declaration by High Court or Supreme Court judges, identity card or a document with address issued by the central or state government and its departments.

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

For effective regulation of stock exchange, the Ministry of Finance issued a Notification on 13 September, 1994 delegating several of its powers under the Securities Contracts (Regulations) Act to SEBI.

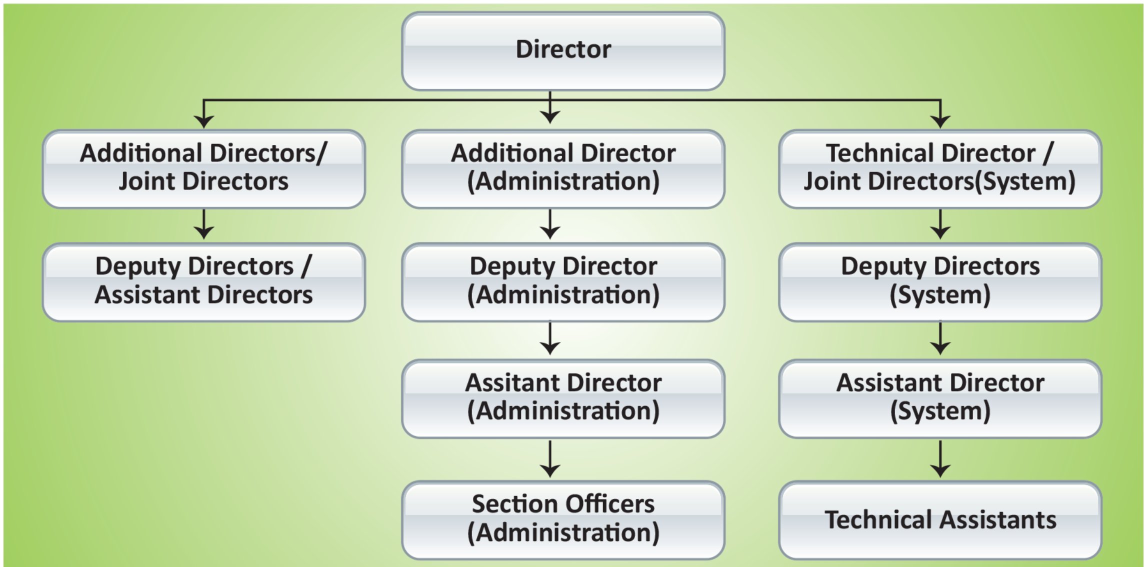
SEBI is also empowered by the Finance Ministry to nominate three members on the Governing Body of every stock exchange.

4. What is meant by Insiders trading?

Insider trading means the buying and selling of securities by directors Promoters, etc.

Who have access to some confidential information about the company and who wish to take advantage of this confidential information.

5. Draw the organization structure of SEBI.



IV. Long Answer Questions:

1. What are the functions of SEBI?

i. Safeguarding the interests of investors by means of adequate education and guidance.

SEBI makes rules and regulation that must be followed by the financial intermediaries like portfolio exchanges, underwriters and merchant bankers, etc. It takes care of the complaints received from investors .

Additionally, it issues notices and booklets for the information, assistance and protection of small investors.

ii. Regulating and controlling the business on stock markets.

Registration of brokers and sub-brokers is made mandatory and they have to abide by certain regulations and rules.

iii. Conduct inspection and inquiries of stock exchanges, intermediaries and self-regulating organizations and to take appropriate measures wherever required.

This function is carried out for organized working of stock exchanges and intermediaries.

iv. Barring insider trading in securities.

v. Prohibiting deceptive and unfair methods used by financial intermediaries operating in securities markets.

2. Explain the powers of SEBI.

1. Powers Relating to Stock Exchanges &Intermediaries

SEBI has wide powers regarding the stock exchanges and intermediaries dealing in securities.

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

2. Power to Impose Monetary Penalties

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

It can even impose suspension of their registration for a short period.

3. Power to Initiate Actions in FunctionsAssigned

SEBI has a power to initiate actions in regard to functions assigned.

For example, it can issue guidelines to different intermediaries or can introduce specific rules for the protection of interests of investors.

4. Power to Regulate Insider Trading

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

5. Powers Under Securities Contracts Act

For effective regulation of stock exchange, the Ministry of Finance issued a Notification on 13 September, 1994 delegating several of its powers under the Securities Contracts (Regulations) Act to SEBI.

3. What are the benefits of Dematerialisation?

i. The risks pertaining to physical certificates like loss, theft, forgery and damage are eliminated completely with a DEMAT account.

ii. The lack of paperwork enables quicker transactions and higher efficiency in trading.

iii. Trading has become more convenient as one can trade through computers at any location, without the need of visiting a broker.

iv. The shares that are created through mergers and consolidation of companies are credited automatically in the DEMAT account.

v. As all the transactions occur through the depository participant, a trader does not have to communicate individually with each and every company.

UNIT IV HUMAN RESOURCE MANAGEMENT

9 CHAPTER

FUNDAMENTALS OF HUMAN RESOURCE MANAGEMENT

CHAPTER SYNOPSIS

I. Choose the Correct Answers:

1. Human resource is a asset.

a) Tangible b) Intangible c) Fixed d) Current

Ans: b) Intangible

2. Human Resource management is both —— ——- and —.

a) Science and art b) Theory and practice
c) History and Geography
d) None of the above

Ans: a) Science and art

3. Planning is a function.

a) selective b) pervasive
c) both a and b d) none of the above

Ans: b) pervasive

4. Human resource management determines the relationship.

a) internal, external b) employer, employee
c) Owner, Servant d) Principle, Agent

Ans: b) employer, employee

5. Labour turnover is the rate at which employees the organisation

a) enter b) leave
c) Salary d) None of the above

Ans: b) leave

II. Very Short Answer Questions:

1. Give the meaning of Human Resource.

In the current scenario unless the organisation recruits, selects and utilises high quality human resource the sustainability remains a question.

In order to accomplish personal and organisational objectives the unique asset called human resource has to be appropriately placed and appreciated.

In an organisation the human resource are the employees who are inevitable for the survival and success of the enterprise.

2. What is Human Resource Management ?

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

In order to achieve the personal and organisational objectives human resources are to be trainedup and managed.

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

It includes the overall progress of the employee and the enterprise.

3. State two features of HRM.

Universally relevant Goal oriented

4. Mention two characteristics of Human Resource.

i. Human resource is the only factor of production that lives

ii. Human resource created all other resources

5. List the functions of HRM.

The functions of human resource management may be classified as under :I Managerial function - Planning, Organising, Directing, Controlling II Operative function – Procurement, Development, Compensation, Retention, Integration, Maintenance

III. Short Answer Questions:

1. Define the term Human Resource Management.

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

2. What are the features of Human resources ?

i. Universally relevant : Human Resource Management has universal relevance. The approach and style varies depending the nature of organisation structure and is applicable at all levels.

ii. **Goal oriented :** The accomplishment of organisational goals is made possible through best utilisation of human resource in an organisation.

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

Human Resource

In the current scenario unless the organisation recruits, selects and utilises high quality human resource the sustainability remains a question.

In order to accomplish personal and organisational objectives the unique asset called human resource has to be appropriately placed and appreciated.

In an organisation the human resource are the employees who are inevitable for the survival and success of the enterprise.

Human Resource Management

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

In order to achieve the personal and organisational objectives human resources are to be trainedup and managed.

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

It includes the overall progress of the employee and the enterprise.

4. What is the importance of Human resource?

i. To identify manpower needs : Determination of manpower needs in an organisation is very important as it is a form of investment.

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

ii. To incorporate change : Change is constant in any organisation and this change has to be introduced in such a way that the human resource management acts as an agent to make the change effective.

iii. To ensure the correct requirement of manpower: At any time the organisation should not suffer from shortage or surplus manpower which is made possible through human resource management.

5. State the functions of Human Resource Management.

Managerial Functions

i. **Planning** – Planning is deciding in advance what to do, how to do and who is to do it. It bridges the gap between where we are and where we want to go.

It helps in the systematic operation of business. It involves determination objectives, policies, procedures, rules, strategies, programmes and budgets.

It ensures maintenance of correct number of employees to carry out activities and also to formulate timely employee policies.

ii. Organising – It includes division of work among employees by assigning each employee their duties, delegation of authority as required and creation of accountability to make employees responsible.

iii. Directing – It involves issue of orders and instructions along with supervision, guidance and motivation to get the best out of employees. This reduces waste of time energy and money and early attainment of organisational objectives.

Operating Functions

I. **Procurement** – Acquisition deals with job analysis, human resource planning, recruitment, selection, placement, transfer and promotion

ii. **Development** – Development includes performance appraisal, training, executive development, career planning and development, organisational development

IV. Long Answer Questions:

1. Explain the unique features of Human Resource.

i. Universally relevant : Human Resource Management has universal relevance.

The approach and style varies depending the nature of organisation structure and is applicable at all levels.

ii. Goal oriented : The accomplishment of organisational goals is made possible through best utilisation of human resource in an organisation.

ii. **A systematic approach :** Human resource management lays emphasis on a systematic approach in managing the tasks performed by human resource of an organisation.

The two sets of functions performed are managerial and operative functions.

iv. It is all pervasive : Wherever there is existence of human resource the effective management of the available human resource is very important especially in functional areas.**t is a continuous process :** As long as there is human resource in the running of an organisation, the activities relating to managing human resource exists.

2. Describe the significance of Human Resource Management.

i. To identify manpower needs : Determination of manpower needs in an organisation is very important as it is a form of investment.The number of men required are to be identified accurately to optimise the cost.

ii. To incorporate change : Change is constant in any organisation and this change has to be introduced in such a way that the human resource management acts as an agent to make the change effective.

iii. To ensure the correct requirement of manpower: At any time the organisation should not suffer from shortage or surplus manpower which is made possible through human resource management.

iv. To select right man for right job: Human resource management ensures the right talent available for the right job, so that no employee is either under qualified or over qualified.

v. To update the skill and knowledge: Managing human resource plays a significant role in the process of employee skill and knowledge enhancement to enable the employees to remain up to date through training and development programmes.

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

Managerial Functions

i. Planning – Planning is deciding in advance what to do, how to do and who is to do it. It bridges the gap between where we are and where we want to go.

It helps in the systematic operation of business.

It involves determination objectives, policies, procedures, rules, strategies, programmes and budgets.

ii. Organising – It includes division of work among employees by assigning each employee their duties, delegation of authority as required and creation of accountability to make employees responsible.

iii. Directing – It involves issue of orders and instructions along with supervision, guidance and motivation to get the best out of employees. This reduces waste of time energy and money and early attainment of organisational objectives.

iv. Controlling – It is comparing the actuals with the standards and to check whether activities are going on as per plan and rectify deviations.

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

This is made possible through observation, supervision, reports, records and audit.

4. Differentiate HR from HRM. Human Resource

With the advent of globalisation, liberalisation and privatisation leading to advancement in information, communication and technology paved way for exhibiting the high level of innovation and creativity in human resource.

In the current scenario unless the organisation recruits, selects and utilises high quality human resource the sustainability remains a question.

In order to accomplish personal and organisational objectives the unique asset called human resource has to be appropriately placed and appreciated.

In an organisation the human resource are the employees who are inevitable for the survival and success of the enterprise.

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

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

Human Resource Management

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

In order to achieve the personal and organisational objectives human resources are to be trainedup and managed.

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

It includes the overall progress of the employee and the enterprise.

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

It focuses on people in an organisation.

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

6. Discuss the Operating functions HRM.

Operating Functions

i. Procurement – Acquisition deals with job analysis, human resource planning, recruitment, selection, placement, transfer and promotion

ii. Development – Development includes performance appraisal, training, executive development, career planning and development, organisational development

iii. Compensation – It deals with job evaluation, wage and salary administration, incentives, bonus, fringe benefits and social security schemes

iv. Retention – This is made possible through health and safety, welfare, social security, job satisfaction and quality of work life

v. Integration – It is concerned with the those activities that aim to bring about reconciliation between personal interest and organisational interest

vi. Maintenance – This encourages employees to work with job satisfaction, reducing labour turnover, accounting for human resource and carrying out audit and research.

UNIT IV HUMAN RESOURCE MANAGEMENT

10 CHAPTER

RECRUITMENT METHODS

CHAPTER SYNOPSIS

MEANING AND DEFINITION OF RECRUITMENT
RECRUITMENT PROCESS
SOURCES OF RECRUITMENT
RECENT TRENDS IN RECRUITMENT

I. Choose the Correct Answers:

1. Recruitment is the process of identifying ___________.

a) right man for right job b) good performer
c) Right job d) All of the above

Ans: a) right man for right job

2. Recruitment bridges gap between ——————— —- and — .

a) job seeker and job provider
b) job seeker and agent
c) job provider and owner
d) owner and servant

Ans: a) job seeker and job provider

3. Advertisement is a source of recruitment

a) internal b) external c) agent d) outsourcing

Ans: b) external

4. Transfer is an source of recruitment.

a) internal b) external
c) outsourcing d) None of the above

Ans: a) internal

5. e recruitment is possible only through facility.

a) Computer b) internet
c) Broadband d) 4G

Ans: b) internet

II.Very Short Answer Questions:

1. Give the meaning of Recruitment.

Recruitment is the process of finding suitable candidates for the various posts in an organisation.

It is a process of attracting potential people to apply for a job in an organisation.

2. What is promotion ?

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

3. State two benefits of internal source of recruitment.

1. Reduce time to hire
2. Cost less
3. Continuity of operations
4. Increased morale and retention

4. Mention any two features of campus recruitment.

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

5. List the benefits of external source of recruitment.

1. External recruitment helps you to assess a pool of best or talented employees for the job you need to fill.

2. External recruitment provides an opportunity for a fresh outlook on the industry that a company may need to stay competitive.

III. Short Answer Questions:

1. Define the term Recruitment.

According to Edwin B. Flippo, "It is a process of searching for prospective employees and stimulating and encouraging them to apply for jobs in an organisation."

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

Increased morale and retention. Other employees see there is room for advancement and reward for a job well done.

Continuity of operations. Chances are that an internal employee can transition into the new role with minimal downtime.

Less paperwork.

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

i. Advertisements – The employer can advertise in dailies, journals, magazines etc. about the vacancies in the organization specifying the nature of work, nature of vacancy, qualification and experience required, salary offered, mode of applying and the time limit within which the candidate has to apply.

ii. Unsolicited applicants – These are the applications of job seekers who voluntarily apply for the vacancies not yet notified by the organisations.

4. What is the importance of job portals?

Job Portals – Using internet job portals organisations can screen for the prospective candidates and fill up their vacancies.

5. State the steps in Recruitment process.

Recruitment process includes the following steps :

i. Planning recruitment
ii. Determining vacancies
iii. Identifying the sources
iv. Drafting information for advertisement
v. Selecting the suitable mode of advertisement
vi. Facilitating selection process
vii. Evaluation and control

IV. Long Answer Questions:

1. Explain the different methods of recruitment.

i. Internal Sources

The following are the internal sources of Recruitment

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

ii. Upgrading – Performance appraisal helps in the process of moving employees from a lower position to a higher position

iii. Promotion – Based on seniority and merits of the employees they are given opportunity to move up in the organisational hierarchy

iv. Demotion – Movement of employee from a higher position to a lower position because of poor performance continuously to make him realise the significance of performance.

ii. External Sources

A. Direct

i. Advertisements – The employer can advertise in dailies, journals, magazines etc. about the vacancies in the organisation specifying the nature of work, nature of vacancy, qualification and experience required, salary offered, mode of applying and the time limit within which the candidate has to apply.

ii. Unsolicited applicants – These are the applications of job seekers who voluntarily apply for the vacancies not yet notified by the organisations.

iii. Walkins– Walk-in applicants with suitable qualification and requirement can be another source of requirement.

B. Indirect

i. Employee referral – The existing employees of the organisation may recommend some of their relatives or known people who will be suitable for the existing vacancies.

Based on the credibility of the employee the referrals will be considered.

iv. Government/Public Employment Exchanges – These are exchanges established by Government which facilitates recruitment throughout the country.

It makes available the information required through the data base for the employer as well as the job seeker by bridging the gap between them.

Private Employment Agencies – These are similar to Public employment exchanges except that the ownership is the hands of Private parties.

It connects the job provider and the job seeker by providing the relevant and required information.

2. Describe the significance of External source of recruitment.

When an organization recruits externally, it opens the organization up to a larger pool of applicants, which increases its chance of finding the right person for the job.

External recruitment provides an opportunity for a fresh outlook on the industry that a company may need to stay competitive.

Bringing in fresh talent from the outside can help motivate the current employees to produce and achieve more in hopes of obtaining the next promotional opportunity

Looking outside the organization also allows a company to target the key players that may make its competition successful.

Hiring an external candidate also opens up many opportunities to find experienced and highly-qualified and skilled candidates who will help a company meet its diversity requirements.

3. Elaborate on the factors affecting recruitment.

I. INTERNAL FACTORS:

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

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

Cost involved in recruitment

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

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

II. EXTERNAL FACTORS

1. Supply and Demand:

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

2. Labour Market

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

3. Political-Social- Legal Environment

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

4. Unemployment Rate

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

5. Competitors

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

4. Differentiate Recruitment and Selection.

Recruitment v/s Selection

S. No.	Basis of Comparison	Recruitment	Selection
1	Meaning	Recruitment is an activity of searching candidates and encouraging them to apply for it.	Selection refers to the process of selecting the suitable candidates and offering them job.
2	Approach	Approach under recruitment is positive one.	Approach under selection is negative one.
3	Objective	Inviting large number of candidates to apply for the vacant post	Picking up the most suitable candidates and eliminating the rest
4	Sequence	First	Second
5	Method	It is an economical method	It is an expensive method
6	Contractual relation	It involves the communication of vacancies. No contractual relation is established	It creates contractual relation between employer and employee
7	Process	Recruitment process is very simple	Selection process is very complex and complicated
8	Time	Requires less time since it merely involves just identifying vacancies and advertising them. Hence less time is required	It is more consuming as each and every candidate has to be tested on various aspects before selecting the candidates. Hence more time is required

5. Discuss the importance of Recruitment.

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

UNIT IV HUMAN RESOURCE MANAGEMENT

11 CHAPTER EMPLOYEE SELECTION PROCESS

CHAPTER SYNOPSIS

STEPS IN EMPLOYEE SELECTION PROCESS
FACTORS INFLUENCING SELECTION PROCESS
IMPORTANCE OF SELECTION
SELECTION DIFFERS FROM RECRUITMENT
PLACEMENT
SIGNIFICANCE OF PLACEMENT
PRINCIPLES OF PLACEMENT

I. Choose the Correct Answers:

1. The recruitment and Selection Process aimed at right kind of people.

a) At right people b) At right time
c) To do right things d) All of the above

Ans: d) All of the above

2. The poor quality of selection will mean extra cost on and supervision

a) Training b)Recruitment
c) work quality d) None of these

Ans: a) Training

3. ————————— refers to the process of identifying and attracting job seekers so as to build a pool of qualified job applicants.

a) Selection b) Training
c) Recruitment d) Induction

Ans: c) Recruitment

4. Selection is usually considered as a process

a) Positive b) Negative
c) Natural d) None of these

Ans: b) Negative

5. Which of the following test is used to measure the various characteristics of the candidate?

a) physical Test b) Psychological Test
c) attitude Test d) Proficiency tests

Ans: b) Psychological Test

6. Which of the following orders is followed in a typical selection process.

a) application form test and or interview, reference check and physical examination

b) Application form test and or interview, reference check, and physical examination

c) Reference check, application form, test and interview and physical examination

d) physical examination test and on interview application term and reference check.

Ans: b) Application form test and or interview, reference check, and physical examination

7. The purpose of an application blank is to gather information about the

a) Company b) Candidate
c) Questionnaire or Interview Schedule
d) Competitors

Ans: b) Candidate

8. Identify the test that acts as an instrument to discover the inherent ability of a candidate.

a) Aptitude Test b) Attitude Test
c) Proficiency Test d) Physical Test

Ans: a) Aptitude Test

9. The process of eliminating unsuitable candidate is called

a) Selection b) Recruitment
c) Interview d) Induction

Ans: a) Selection

10. Scrutiny of application process is the

a) Last step in Selection process
b) First step in Selection process
c) Third step in Selection Process
d) None of the above

Ans: b) First step in Selection process

11. Selection process helps in

a) Locating candidates
b) Determining the suitability of the candidates.
c) preparing employees for training
d) None of these

Ans: b) Determining the suitability of the candidates.

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

a) Training b) Placement
c) Promotion d) Transfer

Ans: b) Placement

13. Probation/Trial period signifies

a) one year to two years
b) one year to three years
c) Two years to four years
d) None of the above

Ans: a) one year to two years

14. Job first man next is one of the principles of ———

a) Test b) Interview
c) Training d) placement

Ans: d) placement

II. Very Short Answer Questions:

1. What is selection?

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

2. What is an interview?

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

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

3. What is intelligence test?

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

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

4. What do you mean by test?

Several tests are conducted in the selection process to ensure whether the candidate possesses the necessary qualification to fit into various positions in the organization.

5. What do you understand about bio data?

To collect complete information about the candidate in the standardized format.

Application blank namely family background, educational qualification, co-curricular activities, work experience, exposure to related activities, scale of pay drawn, academic distinction, area of expertise and so on.

6. What do you mean by placement?

The process of placing the right man on the right job is called 'Placement'.

In other words, Placement is a process of assigning a specific job to each and every candidate selected.

III. Short Answer Questions:

1. What is stress interview?

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

Interviewer deliberately creates stressful situation by directing the candidate to do irrational and irritating activities.

They assess the suitability of the candidate by observing the reaction and response of the candidate to the stressful situations.

2. What is structured interview?

Under this method, a series of question to be asked by the interviewer are pre-prepared by the interviewer and only these questions are asked in the interview.

Ultimately interviewees are ranked on the basis of score earned by the candidate in the interview.

3. Name the types of selection test?

A) Ability Test

1. Aptitude test
   - i) Numerical Reasoning Test
   - ii) Verbal Reasoning Test
   - iii) Inductive Reasoning Test
   - iv) Mechanical Reasoning Test
   - v) Diagrammatic Reasoning Test
   - vi) Spatial Reasoning Test
   - vii) Situational Judgment Test
   - viii) Mental Arithmetic Test
   - ix) Vocabulary Test
   - x) Number Sequence Test
2. Achievement Test
3. Intelligence Tests
4. Judgment Test

B. Personality test

1. Interest Test
2. Personality Inventory Test
3. Projective Test / Thematic Appreciation Test
4. Attitude Test

4. What do you mean by achievement test?

This test measures a candidate's capacity to achieve in a particular field. In other words this test measures a candidate's level of skill in certain areas, accomplishment and knowledge in a particular subject.The regular examination conducted in educational institution represents achievement test.

It is also called proficiency test. This test is conducted before, during or after a learning experience.

In short it is a test conducted to find out candidate's mastery over the subject. Example, A driver may be asked to drive a vehicle to test his driving efficiency

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

The last technique used in selection process is medical examination.

This is the most important step in the selection because a person of poor health cannot work competently and any investment on him may go waste, if he/she is unable to discharge duties efficiently on medical grounds.

In other words, it determines an applicant's physical ability to perform a specific job.

The main purpose of medical examination is to find out

1. Physical fitness of the candidate under selection to the job concerned
2. To protect the existing employees of business organization from the infectious diseases likely to be spread by the candidate selected
3. To check excessive expenditure in the treatment of selected employee after placement.

6. What is aptitude test?

Aptitude test is a test to measure suitability of the candidates for the post/role.

It actually measures whether the candidate possess a set of skills required to perform a given job.

It helps in predicting the ability and future performance of the candidate.

7. How is panel interview conducted?

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

Usually panel comprises chair person, subject expert, psychological experts, representatives of minorities/underprivileged groups, nominees of higher bodies and so on.

All panel members ask different types of questions on general areas of specialization of the candidate.

Each and every member awards marks for the candidate separately.

At the end, the marks awarded by all the members are aggregated and the candidates are ranked accordingly.

This method eliminates bias in selection process. It ensures more reliability in the selection of the candidate.

8. List out the various selection interviews.

i) Preliminary Interview
ii) Structure/Guided/Planned Interview
iii) Unstructured Interview
iv) In depth Interview
v) Panel Interview
vi) Stress Interview
vii) Telephone Interview
viii) Online Interview
ix) Group interview
x) Video Conferencing Interview

9. List out the significance of placement.

The significance of the placement is given below

i) It improves employee morale
ii) It helps in reducing employee turnover
iii) It helps in reducing conflict rates or accidents
iv) It avoids misfit between the candidates and the job.
v) It helps the candidate to work as per the predetermined objectives of the organization

V.Long answer questions:

1. Briefly explain the various types of tests.

1. Aptitude test

Aptitude test is a test to measure suitability of the candidates for the post/role.

It actually measures whether the candidate possess a set of skills required to perform a given job.

It helps in predicting the ability and future performance of the candidate. Aptitude test can be measured by the following ways:

i) Numerical Reasoning Test

Numerical reasoning test provides information about candidate's numerical aptitude.

In other words this test measure the candidate's ability to make correct decision from numerical data.

ii) Verbal Reasoning Test

It measures the candidate's ability to comprehend the written text and ability to arrive at factual conclusion from the written text.

iii) Inductive Reasoning Test

Inductive Test is one of the psychometric tests conducted in the selection process to measure the problem solving abilities and ability to apply logical reasoning.

iv) Mechanical Reasoning Test

This test measures the engineering student's ability to apply engineering concepts in actual practice.

v) Diagrammatic Reasoning Test

This test measures the candidate's ability to understand the shapes, abstract ideas and ability to observe and extract values from illustrations and apply them to new samples.

vi) Spatial Reasoning Test

The test measures the candidate's ability to clearly manipulate and remember the shapes, still images, and find out pattern which govern the sequence.

vii) Situational Judgment Test

This test measures the candidate's ability to choose the most desirable action in critical situations using his judging ability.

viii) Mental Arithmetic Test

It tests the candidate's basic numerical ability like addition, subtraction, multiplication, division and fraction. It tests the speed of doing calculation.

ix) Vocabulary Test

The test measures candidate's ability to recognize the relationship among the ideas, think methodically and fluency in English language.

x) Number Sequence Test

This measures the candidate's ability to find a logic in a series or pattern. Under this test, candidates have to find out missing number in a sequence to determine the pattern.

2. Achievement Test

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

In other words this test measures a candidate's level of skill in certain areas, accomplishment and knowledge in a particular subject.

The regular examination conducted in educational institution represents achievement test. It is also called proficiency test.

This test is conducted before, during or after a learning experience. In short it is a test conducted to find out candidate's mastery over the subject.

Example,

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

b) Music student may be asked to play a given instrument

c) Teacher candidate may be asked to give a demonstration

3. Intelligence Tests

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

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

4. Judgment Test

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

B. Personality test

Personality test refers to the test conducted to find out the non-intellectual traits of a candidate namely temperament, emotional response, capability and stability.

There is no right or wrong answer in the test. It comprises of following tests.

1. Interest Test

Interest test measures a candidate's extent of interest in a particular area chosen by him/her so that organization can assign the job suited to his/her in term.

2. Personality Inventory Test

Under this method standardised questionnaire is administered to the candidate to find out traits like interpersonal rapport, dominance, intravertness, extravertness, self confidence, lower sign quality etc.

This test assesses the reliability and innate characters of the candidate concerned.

3. Projective Test / Thematic Appreciation Test

This test measures the candidate's values, attitude apprehensive personality etc. out of the interpretation or narration given by the candidate to the pictures, figures etc. shown to him in the test situation.

4. Attitude Test

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

For example, morale study, values study, social responsibility study expresses attitude test and the like are conducted to measure the attitude of the candidate.

2. Explain the important methods of interview.

i) Preliminary Interview

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

Team of experts conducts their interview primarily to eliminate those who are unqualified and unfit candidates.

This helps the employer organization to cut cost and time in selection process.

ii) Structure/Guided/Planned Interview

Under this method, a series of question to be asked by the interviewer are pre-prepared by the interviewer and only these questions are asked in the interview.

Ultimately interviewees are ranked on the basis of score earned by the candidate in the interview.

iii) Unstructured Interview

This is quite contrary to structured interview.

An atmosphere for free and frank interaction is created in the interview environment.

There is no pre-prepared questions.

Interviewers determine the suitability of the candidate based on their response to the random questions raised in the interview.

iv) In depth Interview

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

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

v) Panel Interview

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

Usually panel comprises chair person, subject expert, psychological experts, representatives of minorities/underprivileged groups, nominees of higher bodies and so on.

All panel members ask different types of questions on general areas of specialization of the candidate.

Each an every member awards marks for the candidate separately. At the end, the marks awarded by all the members are aggregated and the candidates are ranked accordingly.

This method eliminates bias in selection process. It ensures more reliability in the selection of the candidate.

vi) Stress Interview

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

Interviewer deliberately creates stressful situation by directing the candidate to do irrational and irritating activities.

They assess the suitability of the candidate by observing the reaction and response of the candidate to the stressful situations.

Mostly this type of interview is conducted for recruiting sales representatives staff for defence and law enforcement agencies.

vii) Telephone Interview

Where the candidates live far away from organization and find it difficult to attend preliminary interview for various reasons,

telephone interview is conducted by some organization to eliminate unfit and unsuitable candidate at the preliminary stage itself.

viii) Online Interview

Due to tremendous growth in information and communication technology, these days interviews are conducted by means of internet via **Skype, Wechat, Google duo, Viber, Whatsapp** or **Video chat** applications.

This enables the interviewers to conduct interview with the candidates living in faraway places.

They saves a lot of time, money and energy both for employer's organisation and the candidate.

ix) Group interview

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

Group interview is a good time saving type of interview. Instead of spending 5 hours interviewing 5 candidates individually, one hour can be spent interviewing them in a group.

Some time particular topic is given to the group, and they are asked to discuss it.

The competency of members of group is assessed by keenly observing the participation of members in the discussion.

x) Video Conferencing Interview

Video conferences interview is similar to face to face interview.

Video conferencing interview is a kind of conference call that connects the candidate with companies located across various geographies.

Just like telephone call a video conferencing interview has multi point which allows two or more people in different locations to participate in the interview process.

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

3. Explain the principles of placement.

1. Job First, Man Next Man should be placed on the job according to the requirements of the job.

There is no compromise on the requirements or qualifications of the man with respect to job.

"Job first Man next" should be principles of Placement.

2. Job Offer The job should be offered to the man based on his qualification.

3. Terms and conditions The employee should be made conversant with the conditions and culture prevailing in the organization and all those things relating to the job.

4Aware about the Penalties The employee should also be made aware of the penalties if he / she commits a wrong or lapse.

5. Loyalty and Co-operation When placing new recruit on the job, an effort should be made to develop a sense of loyalty and co-operation in him, so that he/ she may realise his/her responsibilities better towards the job and the organization.

UNIT IV HUMAN RESOURCE MANAGEMENT

12 CHAPTER

EMPLOYEE TRAINING METHOD

CHAPTER SYNOPSIS

PURPOSE OF TRAINING OR NEED FOR TRAINING

STEPS IN DESIGNING A TRAINING PROGRAMME

TRAINING METHOD

(I) ON THE JOB TRAINING

(II) OFF THE JOB TRAINING

DIFFERENCES BETWEEN ON THE JOB TRAINING AND OFF THE JOB TRAINING

BENEFITS OF TRAINING

(I) BENEFITS TO THE ORGANIZATION

(II) BENEFITS TO THE EMPLOYEES

(III)BENEFITS TO CUSTOMER

I. Choose the Correct Answers:

1. Off the Job training is given

a) In the class room b) On off days

c) Outside the factory d) In the playground

Ans: c) Outside the factory

2. Vestibule training is provided

a) On the job

b) In the class room

c) In a situation similar to actual working environment

d) By the committee

Ans: c) In a situation similar to actual working environment

3. Improves Skill Levels of employees to ensure better job performance

a) Training b)Selection

c) Recruitment d)Performance appraisal

Ans: a) Training

4. When trainees are trained by supervisor or by superior at the job is called

a) Vestibule training

b) Refresher training

c) Role play

d) Apprenticeship training

Ans: d) Apprenticeship training

5 is useful to prevent skill obsolescence of employees

a) Training b) Job analysis

c) Selection d) Recruitment

Ans: a) Training

6. Training methods can be classified into training training

a) Job rotation and Job enrichment

b) On the Job and Off the Job

c) Job analysis and Job design

d) Physical and mental

Ans: b) On the Job and Off the Job

7. Case study method is type of trainee.

a) Only theoritical training

b) Both theory and practical training

c) Hands on training

d) Observation Training

Ans:) Both theory and practical training

8. Elaborate discussion on specific topic comes under method of training.

a) Under study b) Coaching

c) Conferences d) Counseling

Ans: c) Conferences

II. Very Short Answer Questions:

1. What is meant by training?

Training is the act of increasing / enhancing the new skill of problem solving activity and technical knowledge of an employee for doing the jobs them self.

2. What is Mentoring training method?

Mentoring is the process of sharing knowledge and experience of an employee. The focus in this training is on the development of attitude of trainees.

It is mostly used for managerial employees.

3.What is Role play?

Under this method trainees are explained the situation and assigned roles.

They have to act out the roles assigned to them without any rehearsal. There are no pre-prepared dialogues.

Thus they have to assume role and play the role without any preparation.

4. State e-learning method?

E learning is the use of technological process to access of a traditional classroom or office.

E learning is also often referred to us online learning or web based training.

E learning training courses can save lakhs and lakhs of rupees to an organizations as they no longer have to pay for over time or costly seminar to improve employees skills.

III. Short Answer Questions:

1. What is vestibule training?

Vestibule training is training of employees in an environment similar to actual work environment artificially created for training purpose.

This type of training is given to avoid any damage or loss to machinery in the actual place by trainees and avoid disturbing the normal workflow in the actual workplace. It is given to Drivers, Pilots, Space Scientists etc.,

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

On the job training refers to the training which is given to the employee at the work place by his immediate supervisor. In an other words the employee learns the job in the actual work environment.

On the job training is suitable for imparting skills that can be learnt in a relatively short period of time.

3. Write down various steps in a training programme.

1. Whom to Train?
2. Who is the Trainee?
3. Who are Trainers?
4. What Method will be used for Training?
5. What should be Level the Training?
6. Where to Conduct the Training Programme?

4. Write short note on trainer and trainee.

Trainee

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

Trainer

Trainer is a person who teaches skills to employee and prepare them for a job activity. Trainers may be supervisor, coworkers, HR staffs, specialists in the other parts of the company, outside consultants, industry association,faculty members of Educational Institutions like University etc.

IV. Long Answer Questions:

1. Define training. Discuss various types of training.

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

(I) On the Job Training On the job training refers to the training which is given to the employee at the work place by his immediate supervisor.

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

ii) Mentoring method Mentoring is the process of sharing knowledge and experience of an employee.

iii) Job Rotation Method

Job rotation is an important method for broadening the knowledge of executives.

iv) Job Instruction Techniques (JIT) Method:

In this method, a trainer at the supervisory level gives some instructions to an employees to how to perform his job and its purpose.

v) Apprenticeship Training Method:

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

vi) Committee Assignment:

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

vii) Understudy/Internship Training Method:

A superior gives training to a subordinates or understudy like an assistant to a manager or director.The subordinates learn through experience and observation by participating in handling day to day problems.

II) Off the Job Training

Off the job training is the training method where in the workers/employees learn the job role away from the actual work floor. In other words training which is carried out away from your normal place of work.

i) Lecture Method

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

ii) Group Discussion Method

Group of people participate and discuss particular subject or one topic. Under this method participants are divided into various groups.They were provided a particular issue for deliberation.

Each groups has to prepare solution after deep discussion with their group members. The group leader has to present the solution to the audience.

iii) Case Study Method

Trainees are described a situations whichstimulate their interest to find solution.

They have to use their theoretical knowledge and practical knowledge to find solution to the problem presented.

iv) Role Play Method

Under this method trainees are explained the situation and assigned roles. They have to act out the roles assigned to them without any rehearsal.

v) Seminar/Conference Method

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

vi) Field Trip Method

A field trip or field work or training in the field is a journey undertake by a group of employees/trainees to a place away from their actual work site.

vii) Vestibule Training Method

Vestibule training is training of employees in an environment similar to actual work environment artificially created for training purpose.

viii) E-learning Method

E learning is the use of technological process to access of a traditional classroom or office. E learning is also often referred to us online learning or web based training.

ix) Demonstration Training Method

This method is a visual display of how something works or how to do something.

Demonstration involves showing by reason or proof explaining or making clear by use of examples or experiments.

x) Programmed Instruction Method

Under this method, the subject matter to be learnt is presented in a series of units. These units are arranged from simple to complex level.

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

Basis for comparison	On the Job Training	Off the Job Training
Meaning	The employee learns the job in the actual work environment.	Off the Job training involves the training of employees out side the actual work location
Cost	It is cheapest to carry out	It requires expenses like separate training rooms, specialist, resources like projectors.
Location	At the work place	Away from the work place
Suitable for	Generally imparted in case of Manufacturing for production related Jobs	Mostly imparted for managerial andnon production related jobs.
Approach	Practical approach	Theoretical approach
Principle	Learning by performing	Learning by acquiring knowledge
Carried out	It is carried out by the experienced employee	Training which is provided by the experts.
Deals with	Training is very relevant and practical dealing with day –to –day requirement of job	It can more easily deal with groups of workers at the same time.

3. Explain the benifits of training.

(i) Benefits to the Organization

i) It improves the skill of employees and enhances productivity and profitability of the entity.

ii) It reduces wastages of materials and idle time

iii) It exposes employees to latest trends.

iv) It minimizes the time for supervision.

v) It reduces the frequency of accidents at workplace and consequent compensation payment.

vi) It reduces labour turnover of employee

vii) It improves union and management relation.

(ii) Benefi ts to the Employees

i) It adds to the knowledge skill and competency of employee

ii) It enables him to gain promotion or achieve career advancement in quick time.

iii) It improves the employees productivity

iv) It enhances the morale of the employee.

v) Employees get higher earnings through incentives and rewards.

vi) It builds up the confidence of employee by changing his attitude positively towards to work

vii) It enables him to observe safety practices voluntarily during his engagement in dangerous operation

(iii) Benefits of Customer

i) Customers get better quality of product/ service.

Customers get innovative products or value added or feature rich products.

UNIT V

ELEMENTS OF MARKETING

13 CHAPTER

CONCEPT OF MARKET AND MARKETER

CHAPTER SYNOPSIS

MEANING AND DEFINITION OF MARKET
NEED FOR MARKET
CLASSIFICATION OF MARKETS
MEANING AND DEFINITION OF MARKETER
WHAT CAN BE MARKETED?
ROLE OF A MARKETER
FUNCTIONS OF MARKETER

I. Choose the Correct Answers:

1. One who promotes (or) Exchange of goods or services for money is called as .

a) Seller b) Marketer
c) Customer d) Manager

Ans: b) Marketer

2. The marketer initially wants to know in the marketing is .

a) Qualification of the customer
b) Quality of the product
c) Background of the customers
d) Needs of the customers

Ans: d) Needs of the customers

3. The Spot market is classified on the basis of .

a) Commodity b) Transaction
c) Regulation d) Time

Ans: b) Transaction

4. Which one of the market deals in the purchase and sale of shares and debentures?

a) Stock Exchange Market
b) Manufactured Goods Market
c) Local Market
d) Family Market

Ans: a) Stock Exchange Market

5. Stock Exchange Market is also called ....

a) Spot Market b) Local Market
c) Security Market d) National Market

Ans: c) Security Market

II. Very Short Answer Questions:

1. What is Market?

Market means a place where goods are bought or sold.

In simple words, the meeting place of buyers and sellers in an area is called Market.

2. Define Marketer.

"A person whose duties include the identification of the goods and services desired by a set of consumers, as well as the marketing of those goods and services on behalf of a company". - Business Dictionary

3. What is mean by Regulated Market?

Regulated Market: These are types of markets which are organised, controlled and regulated by statutory measures. **Example:** Stock Exchanges of Mumbai, Chennai, Kolkata etc.

4. Mention any four differences between Wholesale Market and Retail market?

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

5. What is meant by Commodity Market?

A commodity market is a place where produced goods or consumption goods are bought and sold.

II. Short Answer Questions:

1. What can be marketed in the Market?

i. Goods ii. Services
iii. Experiences iv. Events
v. Persons vi. Places
vii. Properties viii. Organisations
ix. Information x. Ideas

2. Mention any three Role of Marketer?

i. Instigator
ii. Innovator
iii. Integrator

3. Marketer is an innovator? Do you agree?

Yes I Agree, Marketer seeks to distinguish his products/services by adding additional features or functionalities to the existing product,

Modifying the pricing structure, introducing new delivery pattern, creating new business models, introducing change in production process and so on.

4. Why Customer support is needed to Market?

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

1. t helps your company to ensure greater customer satisfaction
2. It increase its long-term goal of repeat business.

➢ It's also an effective way to increase sales and profits.

5. Explain the types of market on the basis of time.

i. Very Short Period Market: Markets which deal in perishable goods like, fruits, milk, vegetables etc., are called as very short period market.

ii. There is no change in the supply of goods. Price is determined on the basis of demand.

iii. Short Period Market:

In certain goods, supply is adjusted to meet the demand.

The demand is greater than supply.

Such markets are known as Short Period Market.

iv. Long Period Market:

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

6. List down the functions of Marketer?

Functions of Marketer

i. Gathering and Analysing market information
ii. Market planning
iii. Product Designing and development

iv. Standardisation and Grading

v. Packaging and Labelling

vi. Branding

vii. Customer Support Services

viii. Pricing of Products

ix. Promotion and Selling

x. Physical Distribution

xi. Transportation

xii. Storage and Warehousing

III. Long Answer Questions:

1. How the market can be classified?

I. On the Basis of Geographical Area

a. Family Market: When exchange of goods or services are confined within a family or close members of the family, such a market can be called as family market.

b. Local Market: Participation of both the buyers and sellers belonging to a local area or areas, may be a town or village, is called as local market.

c. National Market: a. Certain type of commodities has demand throughout the country.

Hence it is called as a national market

d. International Market or World Market: World or international market is one where the buyers and sellers of goods are from different countries.

II. On the Basis of Commodities/Goods

a. Commodity Market:

A commodity market is a place where produced goods or consumption goods are bought and sold.

i. Produce Exchange Market: It is an organised market where commodities or agricultural produce are bought and sold on wholesale basis.

ii. Manufactured Goods Market: This market deals with manufactured goods. e.g., Leather goods,

iii. Bullion Market: This type of market deals with the purchase or sale of gold and silver.

Ex. Bullion markets of Mumbai, Kolkata, Kanpur etc.,

b. Capital Markets:

ivMoney Market: It is a type of market where short term seurities are exchanged.

v. Foreign Exchange Market:

It is an international market.This type of markets helps exporters and importers, in converting their currencies into foreign currencies and vice versa.

vi. The Stock Market:

This is a market where sales and purchases of shares, debentures, bonds etc., of companies are dealt with.It is also known as Securities market.

II. On the Basis of Economics

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

i. Large number of buyers and sellers are there.

ii. Prices should be uniform throughout the market.

iii. Buyers and sellers have a perfect knowledge of market.

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

i. Products are similar but not identical.

ii. Prices are not uniform.

iii. There is lack of communication.

IV. On the Basis of Transaction

i. Spot Market: In such markets, goods are exchanged and the physical delivery of goods takes place immediately.

ii. Future Market: In such markets, contracts are made over the price for future delivery

V. On the Basis of Regulation

i. Regulated Market: These are types of markets which are organised, controlled and regulated by statutory measures.

Example: Stock Exchanges of Mumbai, Chennai, Kolkata etc.

ii. Unregulated Market: A market which is not regulated by statutory measures is called unregulated market.

VI. On the Basis of Time

i. Very Short Period Market: Markets which deal in perishable goods like, fruits, milk, vegetables etc., are called as very short period market.

ii. Short Period Market: i. In certain goods, supply is adjusted to meet the demand. The demand is greater than supply.Such markets are known as Short Period Market.

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

VII. On the Basis of Volume of Business

i. Wholesale Market: In wholesale market goods are supplied in bulk quantity to dealers/ retailers.

ii. Retail Market: In retail market the goods are purchased from producer or wholesales and sold to customers in small quantities by retailers.

VIII. On the Basis of Importance

i. Primary Market: The Primary producers of farm sell their output or products through this type of markets to wholesalers or consumers.Such markets can be found in villages and mostly the products arrive from villages.

ii. Secondary Market: In this market, the semi finished goods are marketed. Here finished goods are not sold.

iii. Terminal Market: It is a central site that serves as an assembly and trading place for commodities in a metropolitan area.

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

III. On the Basis of Economics

a. Perfect Market:

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

i. Large number of buyers and sellers are there.

ii. Prices should be uniform throughout the market.

iii. Buyers and sellers have a perfect knowledge of market.

iv. Goods can be moved from one place to another without restrictions.

v. The goods are identical or homogenous.

It should be remembered that such types of markets are rarely found.

b. Imperfect Market:

A market is said to be imperfect when

i. Products are similar but not identical.

ii. Prices are not uniform.

iii. There is lack of communication.

iv. There are restrictions on the movement of goods.

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

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

PRINT AND GRAPHIC ARTS MEDIA

- **Brochures, posters and packaging**: are a cost effective way to provide a variety of messages and detailed information about your products and services.
- **Business cards:** can be used to support your networking activities and give potential customers the information they need to contact you.
- **Local newspaper advertising:** is a way to reach people in your community and repeatedly exposes them to your message in order to create a stronger local presence for your business.
- **Magazines:** have the advantage of targeting a more specific audience of subscribers who are interested in the topics it covers.
- **Television:** content captures more audience time than any other media and is targeted at home audiences.
- **Radio:** is cost effective, and the audience is usually loyal to a station's program format.
- **The internet: offers** you a variety of different ways to market your product or service on a website or by email.
- **Cell phones and smartphones:** allow for marketing tactics that let you reach customers directly on their mobile devices.
- **Social media:** marketing encourages online interaction between your customers and your business using various social networking sites.

UNIT V

ELEMENTS OF MARKETING

14 CHAPTER

MARKETING AND MARKETING MIX

CHAPTER SYNOPSIS

I. Choose the Correct Answers:

1. The initial stage of Marketing system is........................

a) Monopoly system
b) Exchange to Money
c) Barter system
d) Self producing

Ans: c) Barter system

2. Who is supreme in the Market?

a) Customer b) Seller
c) Wholesaler d) Retailer

Ans: a) Customer

3. In the following variables which one is not the variable of marketing mix?

a) Place Variable b) Product Variable
c) Program Variable d) Price Variable

Ans: c) Program Variable

4. Marketing mix means a marketing program that is offered by a firm to its target t o earn profits through satisfaction of their wants.

a) Wholesaler b) Retailer
c) Consumer d) Seller

Ans: c) Consumer

5. Which one is the example of Intangible product?

a) Education b) Mobiles
c) Garments d) Vehicles

Ans: a) Education

II. Very Short Answer Questions:

1. Define Marketing Mix.

"Marketing mix is a pack of four sets of variables namely product variable, price variable, promotion variable, and place variable".

Such a marketing programme is a mixture of four ingredients, namely Product mix, Price mix, Place (Distribution)mix and Promotion mix.

- Mr. Jerome McCarthy,

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

1. Marketing Objectives
2. Marketing Mix Strategy

3. Define Product.

"A product is anything that can be offered to a market for attention, acquisition, use or consumption that might satisfy a want or a need", says ***Philip Kotler.***

III. Short Answer Questions:

1. What are the objectives of marketing?

i. Intelligent and capable application of modern marketing policies.

ii. To develop the marketing field.

iii. To develop guiding policies and their implementation for a good result.

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

To exchange (barter) goods and services.

To adjust demand and supply by price mechanism. To improve the quality of life of the society.

To introduce new modes of life.

Make What You Can Sell, But Do Not Try To Sell What You Can Make First Create A Customer, Then Create Products

Love your customers and not the products Customer is supreme or king

Customer's preferences shape your decisions

3. What are the factors affecting Price of Product?

Factors affecting Price of product / service

a. Internal Factors:

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

b. External Factors:

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

4. What do you mean by marketing mix? Describe any two elements.

"Marketing mix is a pack of four sets of variables namely product variable, price variable, promotion variable, and place variable".

i. Product

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

"A product is anything that can be offered to a market for attention, acquisition, use or consumption that might satisfy a want or a need", says ***Philip Kotler.***

ii. Price

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

According to ***Philip Kotler,*** "Price is the amount of money charged for a product or service, or the sum of the values that consumers exchange for the benefits of having or using the product or service".

III. Long Answer Questions:

1. Discuss about the Evolution of marketing.

Evolution of Marketing

i. Barter System:

The goods are exchanged against goods, without any other medium of exchange, like money.

ii. Production Orientation:

This was a stage where producers, instead of being concerned with the consumer preferences, concentrated on the mass production of goods for the purpose of profit.They cared very little about the customers.

ii. Sales Orientation:

The stage witnessed major changes in all the spheres of economic life. The selling became the dominant factor, Without any efforts for the satisfaction of the consumer needs.

iii. Marketing Orientation:

Customers' importance was realised but only as a means of disposing of goods produced.Competition became more stiff. Aggressive advertising, personal selling, large scale sales promotion etc. are used as tools to boost sales.

iv. Consumer Orientation:

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

v. Management Orientation:

The marketing function assumes a managerial role to co-ordinate all interactions of business activities with the objective of planning, promoting and distributing want-satisfying products and services to the present and potential customers.

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

a) To the Society

i. Marketing is a connecting link between the consumer and the producer.

ii. Marketing helps in increasing the living standard of people.

iii. Marketing helps to increase the nation's income.

iv. Marketing process increases employment opportunities.

v. Marketing creates modern cultivators.

vi. Marketing removes the imbalances of supply by transferring the surplus to deficit areas, through better transport facilities.

b) To the Individual Firms

i. Marketing generates revenue to firms.

ii. Marketing section of a firm is the source of information to the top management for taking overall decisions on production.

v. Marketing and innovation are the two basic functions of all businesses. The world is dynamic.

3. Narrate the Elements of Marketing mix.

i.Product

"A product is anything that can be offered to a market for attention, acquisition, use or consumption that might satisfy a want or a need", says ***Philip Kotler.***

ii. Price

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

According to ***Philip Kotler,*** "Price is the amount of money charged for a product or service, or the sum of the values that consumers exchange for the benefits of having or using the product or service".

iii. Place (Physical Distribution)

The fourth element of product mix, namely place or physical distribution facilitates the movement of products from the place of manufacture to the place of consumption at the right time.

iv. Promotion

An excellent product with competitive price cannot achieve a desired success and acceptance in market, unless and until its special features and benefits are conveyed effectively to the potential consumers.

4. What is Marketing?

Marketing is one of the business functions that all activities that take place in relation to markets for actualise potential exchanges for the purpose of satisfying human needs and wants.

The development of marketing is evolutionary rather than revolutionary. There is no single answer to the question of what is marketing? To understand, it may be explained in brief, as "Marketing is what a marketer does,"

Marketing is indeed an ancient art; it has been practiced in one form or the other since the days of Adam and Eve.

The traditional objective of marketing had been to make the goods available at places where they are needed.

This idea was later on changed by shifting the emphasis from **"exchange"** to **"satisfaction of human wants".**

Some emphasise on the traditional view of producing goods and finding out customers, others emphasise on the modern view that marketing must first find out what customers want and then plan a product to satisfy the wants.

"Marketing is concerned with the people and the activities involved in the flow of goods and services from the producer to the consumer".

–American Marketing Association.

Baker and Anshen say, "The end of all the marketing activities is the satisfaction of human wants".

5. State to advantages of warehousing.

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

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

Continuity in production :

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

Convenient location :

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

Creation of employment :

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

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

1. It is crucial for a better understanding of your customers Who will buy your product? How often will they buy? What do they need? What do they want, expect?

This will result directly in meeting the customer's needs better than your competitors.

2. Knowledge about your competitors, and how they approach the market

Market information will help assess the market to identify both key players and those on the rise.Furthermore, it will help you find the weaknesses in your competitor's approach.

3. Testing your product before launch

Every business decision should be tested before fully exposing to your target audience.With market research, you find out what approach you should take when marketing the product

4. You won't go out of business

In order to remain in business and stay relevant, you should not only anticipate change, but you need to be able to predict change too

5. Business growth

The process of market research itself is designed to reduce the risk and to make the marketing strategy cost-effective for your business.

UNIT V

ELEMENTS OF MARKETING

15 CHAPTER

RECENT TRENDS IN MARKETING

CHAPTER SYNOPSIS

ELECTRONIC COMMERCE (E-COMMERCE)
E-BUSINESS
E-COMMERCE VS E-BUSINESS
E-MARKETING
E-MARKETING – DEFINITION
OBJECTIVES OF E-MARKETING
ADVANTAGES OF E-MARKETING
DISADVANTAGES OF E-MARKETING
E-MARKET VS. TRADITIONAL MARKET
E-TAILING
GREEN MARKETING
SOCIAL MARKETING
RURAL MARKETING
SERVICES MARKETING
COMMODITY EXCHANGES
NICHE MARKETING
VIRAL MARKETING
AMBUSH MARKETING
GUERRILLA MARKETING
MULTILEVEL MARKETING
REFERRAL MARKETING
CONTENT MARKETING

I. Choose the Correct Answers:

1. Selling goods/ services through internet is

a. Green marketing b. E- business

c. Social marketing d. Meta marketing

Ans: b. E- business

2. Which is gateway to internet?

a. Portal b.CPU

c. Modem d.Webnaire

Ans: c. Modem

3. Which one represents a cluster of manufacturers, content providers and online retailers organised around an activity?

a. Virtual mall b.Association

c. Metomediary d.Portal

Ans: c. Metomediary

4. Social marketing deals with:

a. Society b.Social Class

c. Social changed. d Social evil

Ans: c. Social changed.

5. Effective use of Social media marketing increase conversion rates of–

a. Customer to buyers

b.Retailer to customers

c. One buyer to another buyer's

d.Direct contact of marketer

Ans: a. Customer to buyers

6. A company's products and prices is visually represented by

a. Shopping cart b.Web portal

c. Electronic catalogue d. Revenue model.

Ans: c. Electronic catalogue

7. Green Shelter concept was introduced by group:

a. ACME b.Tata c. Reliance d.ICI

Ans: a. ACME

8. Pure play retailers are called

a.Market creators b.Transaction brokers

c.Merchants d.Agents

Ans: b.Transaction brokers

II.Very Short Answer Questions:

1. What is E business?

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

2. What is green marketing?

Green marketing implies marketing environmentally friendly products.

Green marketing involves developing and promoting products and services which satisfy customers' wants and needs for quality, performance, affordable pricing and convenience – all without causing a detrimental impact on the environment.

3. What is service marketing?

Service marketing is a specialized branch of marketing. Service marketing denotes the processing of selling service goods like telecommunication, banking, insurance, car rentals, healthcare, tourism, professional services, repairs etc.,

4. Define E-Marketing.

Electronic Marketing or E-Marketing is the process of marketing of products and services over internet and telecommunication networks.

5. What is E-Tailing?

E-tailing or electronic retailing refers to selling of goods and services through a shopping website (internet) or through virtual store to the ultimate consumer.

6. What is Social marketing?

Social marketing is a new marketing tool. It is the systematic application of marketing philosophy and techniques to achieve specific behavioural goals which ensure social good.

III. Short Answer Questions:

1. What is B2B and B2C type of E-Commerce?

B2B (Business to Business):

* B2B e-Commerce is an online business model that facilitates online sales transactions between two businesses.
* For example, an online retailer that sells office furniture is a B2B business because its primary target market is other businesses
* B2C e-Commerce refers to the process of selling to individual customers directly.
* An example of a B2C transaction would be someone buying a pair of shoes online

2. Explain the importance of social marketing.

The primary aim of social marketing is 'social good' such as anti-tobacco, anti-drug, anti- pollution, anti-dowry, road safety, protection of girl child, against the use of plastic bags.

Social marketing promotes the consumption of socially desirable products and develops health consciousness.

It helps to eradicate social evils that affect the society and quality of life.

3. Discuss the objectives E-Marketing

1. Expansion of market share
2. Reduction of distribution and promotional expenses.
3. Achieving higher brand awareness.
4. Strengthening database.

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

E-Commerce Vs E-Business

E-commerce simply refers to the buying and selling of products and services through online but E-business goes a way beyond the simple buying and selling, of goods and service and much wider range of business processes, such as supply chain management, electronic order processing and customer relationship management.

E-Commerce and E-Business is used interchangeably in its broader meaning just as commerce and business.

5. Explain in detail about Niche marketing.

Niche marketing denotes a strategy of directing all marketing efforts towards one well defined segment of the population. Actually there is no market in niche market.

It is found by company, by identifying the need of customers which are not served or under served by the competitors.

The company which identified niche market develops solution to satisfy the needs of niche market.

IV. Long Answer Questions:

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

E-Marketing	Traditional Marketing
It is very economical and faster way to promote the products.	It is very expensive and takes more time to promote product.
It is quiet easier for promoting product globally in the short time.	It is very expensive and time consuming to promote product/ service under traditional marketing.
E-Business enterprises can expand their operation with minimum manpower.	It needs more man power.
In this marketing product can be sold or bought 24 x 7, round the year with minimum manpower	That is not possible in traditional marketing.

2. Explain advantages and disadvantages of E-tailing. **<u>Advantages:</u>**

1. Cost:

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

2. Global bazaar:

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

3. Access (no physical location):

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

4. Inventory:

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

5. Flexible time:

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

Disadvantages:

1. Personal information:

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

2. Technical issues:

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

3. Mode of payment related issues:

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

4. Customer service, distribution and logistics related issues:

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

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

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

3. Describe the various strategies pursued inrecent day's marketers.

E-tailing or electronic retailing refers to selling of goods and services through a shopping website (internet) or through virtual store to the ultimate consumer.

The customer receives the product at their preferred address through courier service. Niche marketing denotes a strategy of directing all marketing efforts towards one well defined segment of the population.

A niche market does not mean a small market, but it involves specific target audience with a specialized offering.

The sports channels like STAR Sports, ESPN, STAR Cricket and Fox Sports target the niche market of sports enthusiasts.

Green marketing:

Green marketing involves developing and promoting products and services which satisfy customers' wants and needs for quality, performance, affordable pricing and convenience – all without causing a detrimental impact on the environment.

Social marketing:

- Social marketing is a new marketing tool. It is the systematic application of marketing philosophy and techniques to achieve specific behavioural goals which ensure social good.
- Example, Asking people not to smoke in public areas

Multilevel Marketing:

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

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

Social Marketing

Social marketing is a new marketing tool. It is the systematic application of marketing philosophy and techniques to achieve specific behavioural goals which ensure social good.

For example, this may include asking people not to smoke in public areas, asking them to wear seat belts or persuading them to follow speed limits.

The primary aim of social marketing is 'social good' such as anti-tobacco, anti-drug, anti- pollution, anti-dowry, road safety, protection of girl child, against the use of plastic bags.

Social marketing promotes the consumption of socially desirable products and develops health consciousness. It helps to eradicate social evils that affect the society and quality of life.

Service Marketing

A service is any activity or benefit that one party can offer to another which is essentially intangible and which does not result in the ownership of anything like business and professional services insurance, legal service, medical service etc.

Service marketing is a specialized branch of marketing.

Service marketing denotes the processing of selling service goods like telecommunication, banking, insurance, car rentals, healthcare, tourism, professional services, repairs etc.,

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

(i) Electronic Commerce (E-Commerce)

It is well known that business is a branch of commerce.

It looks after the distribution aspect of the business and also is concerned with the exchange of goods and services.

If all activities, which directly or indirectly facilitate that exchange of goods done through internet and other online environments is known as Electronic Commerce (EC) or simply as E-Commerce.

(ii) E-Business

The regular production or purchase and sale of goods undertaken with an objective of earning profit and acquiring wealth through the satisfaction of human wants is known as business.

Electronic business (e-business) via, web, internet, intranets, extranets or some combination thereof to conduct business.

In simple words, if all the business transaction carried out through internet and other online tools is called E-business.

UNIT VI

CONSUMER PROTECTION

16
CHAPTER

CONSUMERISM

CHAPTER SYNOPSIS

CONSUMER
CONSUMER EXPLOITATION
CONSUMERISM AND NEED FOR CONSUMERISM
IMPORTANCE OF CONSUMERISM
ORIGIN, EVOLUTION AND GROWTH OF CONSUMERISM
CONSUMER PROTECTION
NEED FOR CONSUMER PROTECTION
CONSUMER LEGISLATION
TH E CONSUMER PROTECTION ACT, 1986
CAVEAT EMPTOR
CAVEAT VENDITOR

I. Choose the Correct Answers:

1. The term 'consumerism' came into existence in the year...................

a) 1960 b) 1957 c) 1954 d) 1958

Ans: a) 1960

2. Who is the father of Consumer Movement?

a) Mahatma Gandhi b) Mr. Jhon F. Kennedy
c) Ralph Nader d) Jawaharlal Nehru

Ans: c) Ralph Nader

3. Sale of Goods Act was passed in the year?

a) 1962 b) 1972 c) 1982 d) 1985

Ans: c) 1982

4. The main objective of all business enterprises is ——————

a) Providing service
b) Providing better standard of life
c) Providing necessities to the society
d)Earn profit

Ans: d) Earn profit

5. The Consumer Protection Act came into force with effect from

a) 1.1.1986 b) 1.4.1986
c) 15.4.1987 d) 15.4.1990

Ans: c) 15.4.1987

6 of every year is declared as a Consumer Protection Day to educate the public about their rights and responsibilities.

a) August 15 b) April 15
c) March 15 d) September 15

Ans: c) March 15

7. Any person who buys any goods or availsservices for personal use, for a considerationis called as

a) Customer b) Consumer
c) Buyer d) User

Ans: b) Consumer

8. The General Assembly of United Nationspassed resolution of consumer protection guidelines on

a)1985 b)1958 c)1986 d)1988.

Ans: a)1985

II.Very Short Answer Questions:

1. Who is a consumer?

A consumer is one who consumes goods manufactured and sold by others or created (air, water, natural resources) by nature and sold by others. One, who avails services such as banking, transport, insurance, etc., is also called a consumer.

2. Define Consumerism.

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

3. Give two examples of adulteration.

1. Chemicals, detergent chalk, urea causticsoda, etc. are added to make the milk denseand white.
2. Mixing of stones with grains

4. What is Caveat Emptor?

'Caveat emptor' is a Latin term that means "let the buyer beware."

Similar to the phrase "sold as is," this term means that the buyer assumes the risk that a product fails to meet expectations or have defects.

5. What is Caveat Venditor?

Caveat emptor was the rule for most purchases and land sales prior to the Industrial Revolution, although sellers assume much more responsibility for the integrity of their goods in the present day.

6. Write a short notes on Consumer ProtectionAct, 1986.

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

III. Short Answer Questions:

1. Which are the three constituent elements of business?

The producer, the consumer and the government are the three constituent elements of business.

The consumer is the most exploited constituent in the business world.

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

The Indian Contract Act, 1982 was passedto bind the people on the promise madein the contract.

ii. The Sale of Goods Act, 1982: This Actprotects consumers against sellers notcomplying with expressed and impliedwarranties in the sale contract.

iii. The Essential Commodities Act, 1955protects the consumers against artificial shortages created by the sellers byhoarding the goods and thus selling the goods at high prices in black market inrespect of essential commodities.

3. What is meant by artificial scarcity?

There are certain situations where the shop-keepers put up the board 'No Stock" in front of their shops, even though there is plenty of stock in the store.

In such situations consumers who are desperate to buy such goods have to pay hefty price to buy those goods and thus earning more profit unconscientiously.

4. Write the importance of consumerism.

1. Awakening and uniting consumers.
2. Discouraging unfair trade practices.
3. Protecting against exploitation.
4. Awakening the government.
5. Effective implementation of consumer protection laws.
6. Providing complete and latest information.
7. Discouraging anti-social activities

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

Role of Government

Since most of consumers including academically educated are illiterate about their rights and hence passive. Government should assure an active role in safeguarding the consumers.

Government both the central and the state have brought out a number of legislations to protect the interest of consumers across the country.

IV. Long Answer Questions:

1. How consumers are exploited?

1.Selling at Higher Price

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

2. Adulteration

It refers to mixing or substituting undesirable material in food. This causes heavy loss to the consumers.

3. Duplicate or Spurious goods

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

2. Explain the role of business in consumerprotection. 1.Avoidance of Price Hike

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

2. Avoidance of Hoarding

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

3. Guarantees for Good Quality

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

4. Product Information

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

3. What are the needs for consumer protection?

Though consumer is said to be the king of entire business sphere, his interests are virtually neglected. Shortage of goods makes the consumers to be content with whatever is offered for sale.

Quality is sacrificed: warranty of performance has no meaning; health hazard is never considered;profit maximisation turns out to be sole consideration of business enterprises.

In such a context, consumer protection remains a vital importance.

4. Explain the role of consumers in Consumer Protection.

Ultimately it is the consumer who alone can put an end to all their unethical trade practices.

Business enterprises may break the codes and Government may rest content with mere enaction of laws and do little to protect consumers.

In this context consumers have to be vigilant and organise themselves into a movement for concerted action.

Activation of Consumer Action Councils

1. Consumer action councils established atvillage levels should educate consumers ofthe right.

2. Consumer protection agencies should take necessary steps to investigate consumer complaints and grievances and arrange toforward them to correct forum.

3. It should regulate business enterprises according to the rules of the industry

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

i. Protection of consumers againstmarketing of goods which are hazardousand dangerous to life and property ofconsumers.

ii. Providing correct and completeinformation about quality, quantity,purity, price and standard of goodspurchased by consumers.

iii. Protecting consumers from unfair tradepractices of traders.

6. Write about five important consumer legislations.

i. The Indian Contract Act, 1982 was passedto bind the people on the promise madein the contract.

ii. The Sale of Goods Act, 1982: This Actprotects consumers against sellers not complying with expressed and implied warranties in the sale contract.

iii. The Essential Commodities Act, 1955protects the consumers against artificial shortages created by the sellers by hoarding the goods and thus selling the goods at high prices in black market in respect of essential commodities.

iv. The Agricultural Products Grading andMarketing Act, 1937 ensures the supply ofagricultural commodities at high quality.

v. The Prevention of Food AdulterationAct, 1954 checks the adulteration of food articles and ensures purity of goods supplied and thus protects the health of consumers.

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

i. Protecting consumers against productsand services which are harmful to thehealth of consumers.

ii. Protecting consumers from the breach ofcontract by sellers /manufacturers.

iii. Ensuring consumers with supply of goodsat fair quality.

iv. Safeguarding consumers against misleading and untrue messages communicated through advertisement.

v. Ensuring that consumers are charged fairprice.

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

i. To assist countries in achieving ormaintaining adequate protection for their population as consumers

ii. To facilitate production and distributionpatterns responsive to the needs and desires of consumers

iii. To encourage high levels of ethical conductfor those engaged in the production anddistribution of goods and services toconsumers

iv. To assist countries in curbing abusive business practices by all enterprises at thenational and international levels which adversely affect consumers

v. To facilitate the developing of independent consumer groups.

UNIT 6

CONSUMER PROTECTION

17 CHAPTER

RIGHTS, DUTIES & RESPONSIBILITIES OF CONSUMERS

CHAPTER SYNOPSIS

DUTIES OF CONSUMERS
CONSUMER RESPONSIBILITIES
CONSUMER RIGHTS

I. Choose the Correct Answers:

1. The final aim of modern marketing is

a. Maximum profit
b.Minimum profit
c. Consumer satisfaction
d.Service to the society

Ans: c. Consumer satisfaction

2. ....is the king of modern marketing.

a. Consumer b.Wholesaler
c. Producer d. Reatailer

Ans: a. Consumer

3. As the consumer is having the rights, they are also having —.

a. Measures b.Promotion
c. Responsibilities d.Duties

Ans: c. Responsibilities

4. Which of the following is not a consumer right summed up by John F. Kennedy

a. Right to safety b.Right to choose
c. Right to consume
d.Right to be informed

Ans: a. Right to safety

5. It is the responsibility of a consumer that he must obtain ....as a proof for thepurchase of goods.

a.Cash receipt b.Warranty card
c.Invoice d.All of these

Ans: c. Invoice

II.Very Short Answer Questions:

1. Write short notes on: "Right to be informed.

Consumers should be given all the relevant facts about the product so that they can take intelligent decisions on purchasing the product.

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

In case of food items and drugs both life saving and life sustaining safety is to be guaranteed. One thing that is encouraging to-day is that recent legislations have shifted the responsibility for the production of such unsafe items onto the shoulders of sellers rather than on buyers.

3. What are the rights of consumer according to John F. Kennedy? John F. Kennedy's view on Consumer Rights

The former president of U.S.A Mr. John F. Kennedy defined the basic consumer rights as "The Right of Safety, the Right to be informed, the Right to choose and the Right to be heard."

4. Which is the supreme objective of business?

Satisfaction of consumers wants and needs is stated to be the prime and supreme objective of a business.

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

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

III. Short Answer Questions:

1. What do you understand by "Right to redressal".

The complaints and protests are not just to be heard: but the aggrieved party is to be granted compensation within a reasonable time period .

2. Define "Consumer Rights".

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

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

The consumer has a right to be awareof his rights and remedies available to him, redress his grievances through publicity in the mass media.

Consumer has a right to be protected against goods and services which are hazardous to life and health.

Consumers need to be educated that they should use electrical appliances with ISI mark.

IV. Long Answer Questions:

1. What are the rights of consumers?

i) Right to Protection of Health and Right ofSafety

The consumer has a right to be awareof his rights and remedies available to him, redress his grievances through publicity in the mass media.

Consumer has a right to be protected against goods and services which are hazardous to life and health.

Consumers need to be educated that they should use electrical appliances with ISI mark.

ii) Right to be Informed

Consumers should be given all the relevant facts about the product so that they can take intelligent decisions on purchasing the product.

iii) Right to choose

The term 'Choice' means offering the widest range of products in quality and brand varieties at reasonable prices. In short consumers should have access to varieties of goods in terms of colour, quality, design, size etc.

iv) Right to be Heard

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

v) Right to Seek Redressal

This step is one step ahead of the previous right. The complaints and protests are not just to be heard:

vi) Right to Consumer Education

The consumer has a right to acquire knowledge and stay well-informed all through his life.

vii) Right to Quality of Life

Quality of life refers to the perceived well-being of people, in groups and individually, and well-being of the environment in which these people live.

viii) Right to Consumer Protection

The consumer has a right to be awareof his rights and remedies available to him,

Consumer has a right to be protected against goods and services which are hazardous to life and health.

ix) Right to Basic Needs

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

2. Explain the duties of consumers. (write 5 points)

i) Buying Quality Products at ReasonablePrice

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

ii) Ensure the Weights and Measurementbefore Making Purchases

The sellers often cheat consumer by using unfair weights and measures.

The consumer should ensure that he/ she is getting the product of exact weight and measure.

iii) Reading the Label Carefully

It is the duty of the consumer to thoroughly read the label of the product.

It should have correct, complete and true information about the product.

iv) Beware of False and Attractive Advertisements

Often the products are not as attractive as shown in the advertisement by the sellers.

Hence, it is the prime duty of consumer not to get misled by such fraudulent advertisements.

v) Misleading Schemes

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

The consumer is supposed to be careful with the attractive advertisements and avoid such misleading and false advertisements.

vi) Ensuring the Receipt of Cash Bill

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

vii) Buying from Reputed Shops

It is advisable for the consumer to makepurchase from the reputed shops or government shops like super bazaar, cooperative stores, and the like.

viii) Never Purchase from Black Market

The consumer should discharge hisduties as responsible citizen. He should not buy things from black market and in excess of his requirements.

ix) Buying Standardized Products

Often the consumer buys cheap products which are not durable or are not safe.

Therefore, it is the duty of the consumer to buy products with standardization marks which is supposed to be safe in every respect.

x) Follow the Instruction of the Manufacturer

It is the duty of the consumer to use the product as per its instructions,

e.g., if a medicine carries an instruction regarding its storage, it should be stored in the fridge.This would help in prevention of any damage to the medicine and harm to the consumer's health.

xi) Knowledge of Consumer Rights

These days it is not uncommon to see a seller trying to cheat the consumer in every possible way in order to earn quick profits.

If a consumer is cheated by a seller, then he should immediately lodge a complaint with the authorities designated for consumer grievance redressal rather than remaining a silent spectator.

3. What are the responsibilities of consumers?

1. The consumer must pay the price of thegoods according to the terms and conditionsof the sales contract.
2. The consumer has got a responsibility toapply to the seller for the delivery of thegoods. He/she has to take delivery of thegoods in time.
3. The consumer has to bear any loss, whichmay arise to the seller when the consumerdelays taking delivery of the goods as per theterms of contract.
4. The consumer is bound to pay any interestand special damages caused to the seller incase if there is delay in the payment.
5. The consumer has to assiduously followand keenly observe the instructions andprecautions while using the products.

UNIT 6

18 CHAPTER

CONSUMER PROTECTION

GRIEVANCE REDRESSAL MECHANISM

CHAPTER SYNOPSIS

GRIEVANCE AND NEED FOR REDRESSALMECHANISM

CONSUMER COUNCILS

THREE TIER COURTS OR QUASI JUDICIARY

DISTRICT FORUM

STATE CONSUMER DISPUTES REDRESSAL COMMISSION OR STATE COMMISSION

NATIONAL CONSUMER DISPUTES REDRESSAL COMMISSION (NCDRC) OR NATIONAL COMMISSION

VOLUNTARY ORGANIZATIONS FOR CONSUMER AWARENESS

I. Choose the Correct Answers:

1. The Chairman of the National ConsumerDisputes Redressal Council is

a) Serving or Retired Judge of the Supreme Court of India.

b) Prime Minister

c)President of India

d) None of the above

Ans: a) Serving or Retired Judge of the Supreme Court of India.

2. The Chairman of the State Consumer Protection Council is

a) Judge of a High Court

a) Chief Minister

b) Finance Minister

c) None of the above

Ans: a)Judge of a High Court

3. The Chairman of the District Forum is

a) District Judge

b) High Court Judge

c) Supreme Court Judge

d) None of the above

Ans: a)District Judge

4. The State Commission can entertain complaints where the value of the goods orservices and the compensation, if any claimedexceed

a) ‘2 lakhs but does not exceed ‘5 lakhs

b) ‘20 lakhs but does not exceed ‘1 crore

c) ‘3 lakhs but does not exceed ‘5 lakhs

d) ‘4 lakhs but does not exceed ‘20 lakhs

Ans: b)‘20 lakhs but does not exceed ‘1 crore

5. The National Consumer Disputes Redressal Commission has jurisdiction to entertain complaints where the value of goods/ servicescomplained against and the compensation, ifany, claimed is

a) Exceeding ‘1 crore

b) Exceeding ‘ 10 lakhs

c) Exceeding ‘ 5 lakhs

d) Exceeding ‘ 12 lakhs

Ans: a) Exceeding ‘1 crore

6. The District Forum can entertain complaintswhere the value of goods or services and thecompensation if any claimed is less than

a)Below '10,00,000 b)Below '20,00,000

c)Below '40,00,000 d)Below '50,00,000

Ans: b)Below '20,00,000

7. The International Organisation of Consumers Unions (IOCU)was first established in

a)1960 b)1965 c)1967 d)1987

Ans: a)1960

8. Consumer awareness covers the following:

a) Consumer awareness about Maximum Retail Price (MRP)

b) Consumer awareness about Fair PriceShop

c) Consumer awareness about price, quality,and expiry date of the product

d) All of the above

Ans: d) All of the above

9. Complaints can also be filed by the

a) Central Government

b) State Government

c) A group of consumers

d) All of the above

Ans: d)All of the above

10.A consumer has to be protected against

a) Defects of product

b) Deficiencies of product

c) Unfair and restrictive trade practices

d) All of the above

Ans: d)All of the above

II. Very Short Answer Questions:

1. What do you meant by Redressal Mechanism?

However they are exploited by the sellers in many ways because, they are not aware of the products and services available. Government has also taken necessary steps to save the Consumers.What do you know about National Commission?

India is a quasi-judicial commission in India which was set up in 1988 under the Consumer Protection Act of 1986.

Its head office is in New Delhi. The Commission is headed by a serving or retired judge of the Supreme Court of India.

The National Consumer Disputes Redressal Commission (NCDRC) is also called as National Commission.

2. State the meaning of the term State Commission.

A consumer has to be protected against defects, deficiencies and unfair and restrictive trade practices. The State Consumer Protection Council is also called State Commission.

3. What is an term District Forum?

As per the Consumer Protection Act of 1986 and Section 9 thereof the establishment of a District Forum by the State Government in each district is necessary today to protect the interest of aggrieved consumers in that district.

4. How to register the complaints?

1. Complaint can be registered within 2years from the date on which the cause ofaction has arisen, to the date on which thecompletion from the deficiency in service.
2. Stamp paper is not required for declaration
3. Advocates are not necessary.

III. Short Answer Questions:

1. Is Consumer Protection necessary?

Yes, it's necessary for the following reasons.

We need physical protection of the consumer, for example protection against products that are unsafe or dangerous to his health and welfare.

Consumers want protection against deceptive and unfair trade and market practices. Consumers protection is needed against all types of pollution so that they can enjoy a healthy environment-free from water, air and food pollution.

2. Who are the members of the National Commission?

1. The National Commission should have five members.

2.One should be from judiciary.

3. Four other members of ability, knowledge and experience from any other fields.

4. It should include a woman.

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

1. The State Commission can entertain complaints within the territory of entirestate and where the value of the goods or services and the compensation, if any claimed exceed Rs. 20 lakhs and below Rupees One Crore.

2. The State Commission also has the jurisdiction to entertain appeals against the orders of any District Forum within theState.

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

If the value of the complaint exceeds this limit of Rs 20 Lakhs the complaint should be made direct to the State Commission. Further the District Forum also may pass orders against traders indulging in unfair trade practices, sales of defective goods or rendering deficient services, the turnover of goods or value of services does not exceed Rs 20 Lakhs.

5. Write a note on the Voluntary Consumer Organisation.

Consumer is a broad label for any individuals or households that use goods and services produced within the economy.

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

IV. Long Answer Questions:

1. What are the Functions of the NationalCommission?

Under the Consumer Protection Act of 1986. Its head office is in New Delhi.

The Commission is headed by a serving or retired judge of the Supreme Court of India. The National Consumer Disputes Redressal Commission (NCDRC) is also called as National Commission.

Members

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

1. The National Commission should have five members.

2.One should be from judiciary.

3. Four other members of ability, knowledge and experience from any other fields.

4.It should include a woman.

Jurisdiction

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

1. To entertain a complaint valued more than1 Crore.

2. Revised the orders of State Commissions.

3. To call for the records and pass appropriateorders from the State Commission andDistrict Forum.

2. Explain the overall performance of StateCommission.

The State Commission is to be appointed by the State Government in consultation with the Centre.

It has the same function as state level. The state consumer protection council is also known as "Consumer Disputes Redressal Commission".

Both goods and services are included in the purview of the council.

A consumer has to be protected against defects, deficiencies and unfair and restrictive trade practices.

The State Consumer Protection Council is also called State Commission.

Members

Each State Commission shall consist of the following members.

1. A person who is or has been a Judgeof a High Court appointed by the StateGovernment as its President.

2. Two other members who shall be personsof ability, integrity and standing and have adequate knowledge or experience of or have shown capacity in dealing with problems relating to economics, law, commerce, industry, public affairs or administration of them, one shall be a woman.

Jurisdiction

The Jurisdiction of the State Commission is as follows.

1. The State Commission can entertain complaints within the territory of entirestate and where the value of the goodsor services and the compensation, if anyclaimed exceed Rs. 20 lakhs and belowRupees One Crore.

2. The State Commission also has thejurisdiction to entertain appeals againstthe orders of any District Forum within theState.

Powers

The following are the powers of the State Commission.

1. The State Commission also has the powerto call for the records and pass appropriate orders in any consumer dispute which ispending before or has been decided by anyDistrict Forum within the State.

2. To produce before and allow to be examined by an officer of any of these agencies,such books of accounts, documents orcommodities as may be required and tokeep such books, documents, etc., underhis custody for the purposes of the Act.

3. To furnish such information that may berequired for the purposes of the Act to anyofficer so specified.

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

District Forum

As per the Consumer Protection Act of 1986 and Section 9 thereof the establishment of a District Forum by the State Government in each district is necessary today to protect the interest of aggrieved consumers in that district. The State Government can establish more than one District Forum in a district if it deems fit to do so.

Members

1. A person who is or who has been or isqualified to be, a District Judge as itsPresident.

2. Two other members

Jurisdiction

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

Every proceedings before the District Forum shall be deemed to be judicial proceedings within the meaning of sections 193 and 228 of the Indian Penal Code and the Forum shall be deemed to be Civil Court.

If the value of the complaint exceeds this limit of Rs 20 Lakhs the complaint should be made direct to the State Commission.

Further the District Forum also may pass orders against traders indulging in unfair trade practices, sales of defective goods or rendering deficient services, the turnover of goods or value of services does not exceed Rs 20 Lakhs.

4. What is Voluntary Consumer Organisations?Explain its Functions. Voluntary Organizations for Consumer Awareness

Consumer is a broad label for any individuals or households that use goods and services produced within the economy.

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

Objectives

1. The Department of Consumer Affairs (DCA) operates the Consumer WelfareFund (CWF). The primary objective ofthe CWF is to strengthen the Consumer Advocacy Movement in India.

2. A wide network of Voluntary Consumer Organisation (VCO) is doingcommendable work to raise awarenessamongst consumers.

3. To strengthen consumer protection and welfare and to provide counselling,guidance and mediation services.

4. VCO's supported through CWF provides grants for diverse projects including comparative testing of products andservices and dissemination of the findings

5. Steps have been taken to enhance transparency and to digitalise thegovernment's interface with its citizens.

5. How to create consumer awareness?

The first priority of a consumer organization is to accelerate consumer awareness towards their rights.

To accomplish this task the following efforts are made:

i. To publish brochures journals andmonographs.

ii. To arrange conferences, seminars andworkshops.

iii. To educate consumers to help themselves.

iv. To provide special education to womenabout consumerism.

v. To maintain desirable standards, the following steps are followed:

i) Collecting Data on Different Productsand testing them

These organizations collect samples of different products from time to time and test them. After that the results of the tests are declared to public. In this way, these organisations provide prior information to consumers about the authenticity of product and protect them.

ii) Filing Suit on Behalf of Consumers

Whenever a consumer fails to raise hisvoice of protest regarding his complaints, these consumers' organisations come to the rescue and file a case in the court, on behalf of a consumer.

By giving this service to the consumers, the consumers get a feeling that they are not alone in their struggle.

iii) Organising Protests against Adulteration etc.

The consumer's organizations playa significant role in eliminating the evil of adulteration, hoarding black-marketing and under-weight selling.

iv) Helping Educational Institutions

These organizations advice theeducational institutions the way to prepare courses of study keeping in view the interests of the consumers.

v) Promoting Network of ConsumerAssociation

Consumer organizations are trying to grow their numbers.

They want to cover all the regions of the country so that consumers of all the regions are benefited by their services.

vi) Extending Support to Government

Consumer organisations keep informingthe government agencies about adulteration, artificial scarcity, inferior quality produce etc. to help the government.

UNIT 7 BUSINESS ENVIRONMENT

19 CHAPTER ENVIRONMENTAL FACTORS

CHAPTER SYNOPSIS

MEANING AND DEFINITION OF BUSINESS ENVIRONMENT
TYPES OF BUSINESS ENVIRONMENT
INTERNAL ENVIRONMENT
EXTERNAL ENVIRONMENT:
MICRO ENVIRONMENT;
MACRO ENVIRONMENT:
FUTURE ENVIRONMENT OF BUSINESS-VUCA
CORPORATE GOVERNANCE
GOODS AND SERVICES TAX – GST

I. Choose the Correct Answers:

1. VUCA stands for_................
2. GST stands for_.........................
3. Factors within an organisation constitutes environment.
4. Macro Environment of business is an factor.
5. The two major types of business environmentare and
6. environment includes weatherand climatic conditions.
7. The size and composition of the population is part of environment.

Ans:

1. VUCA – volatility, uncertainty, complexity and ambiguity,
2. GST Goods and Services Tax
3. Internal
4. Uncontrollable
5. Internal and External
6. Geo-physical environment
7. Socio-Cultural

II. Very Short Answer Questions:

1 . Define Business environment

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

2. What is internal environment?

Internal environment refers to those factors within an organisation e.g Policies and programmes, organisational structure, employees, financial and physical resources.

3. Give the meaning of corporate governance.

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

4. What is GST?

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

5. Expand VUCA.

VUCA – volatility, uncertainty, complexity and ambiguity,

6. What is mixed economy?

Mixed economy is acombination of both state owned andprivate sector ownership.

III. Short Answer Questions:

1. Explain the natural environment of business.

Natural factors such as climate, soil, forests, minerals, rivers and ocean have tremendous influence on the functioning and growth of commerce and industry.

The impact of natural environment of business may be described under the following heads:

a. Source of Raw Materials
b. Location of Industry
c. Employment Generation
d. Basis of Transportation and Communication
e. Foreign Exchange Earner

2. What are the political environment factors?

The framework for running a business is given by the political and legal environment. The success of a business lies in its ability to adapt and sustain to political and legal changes.The legislative, executive and judiciary are the three political institutions which directs and influences a business.

3 Write about any three internal environmental factors of business.

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

ii Vision and objectives: The vision andobjectives of a business guides its operationsand strategic decisions.

iii.Management structure and ature: Thestructure of management/board andtheir style of functioning, the level ofprofessionalism of management, thecomposition of the board are the variousfactors which affects the decision making.

4. State the framework of Corporate Governance in India.

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

It gives guidelines for internal control, performance measurement and corporate disclosure. Corporate governance lays down the rules and responsibilities of he stakeholders of a company primarily the shareholders, the directors and the management.

The role of board of directors is very important in corporate governance.

It is the board that provides the guidelines for the company and its other stakeholders including employees, customers, suppliers and financiers.

Corporate governance is based on the four fundamental pillars of fairness, transparency, accountability and responsibility.

5. What are the functions of the GST council?

GST is the indirect tax levied on goods and services across the country.

It is a **comprehensive,** multi-stage, destination-based tax that is levied on every value addition.

There are 3 taxes applicable under this system.

i) **CGST:** Collected by the Central Govern ment on an intra-state sale (Eg:transaction happening in TamilNadu)

ii) **SGST:** Collected by the State Governmenton an intra-state sale (Eg: transactionhappening within TamilNadu)

iii) **IGST:** Collected by the Central Government for inter-state sale (Eg:Punjab to Tamil Nadu)

Goods & Services Tax Council isa constitutional body for making recommendations to the Union and State

Government on issues related to Goods and Service Tax.

The GST Council is chaired by the Union Finance Minister and other members are the Union State Minister of Revenue or Finance and Ministers in-charge of Finance or Taxation of all the States.

6. Write a note on future environment of business.

VUCA – volatility, uncertainty, complexity and ambiguity, developed in the late 80's by the U.S military. Every business has to take strategic decisions.

The dynamic ever changing environment, the unpredictability of various factors, the multiplicity of forces affecting business and the lack of clarity are the variables which affects business.

It is now important for every business to meet the challenges posed by the environment in order to remain competitive.

7. What do you know about Technological environment?

The development in the IT and telecommunications has created aglobal market. Technology is widelyused in conducting market research forunderstanding the special needs of thecustomer. Digital and social media areused as a platform for advertising andpromoting the products/ services.Technology is used in managing inventory, storing goodsin warehouses, in distributing goods andin receiving payment. This dynamicenvironment also includes the following ;

1) the level of technology available withinthe country

2) rate of change in technology

3) technology adopted by competitors

4) technological obsolescence

IV. Long Answer Questions:

1. Discuss the role of macro environment of business.

i) Economic environment: The business isan integral part of the economic systemprevalent in a nation. The multiple variablesin variablesin the macro environment system.

ii) Socio-Cultural environment - Business isa part of the society .Social environmentrefers to the sum total of factors of thesociety in which the business is located.Social and cultural environment of societyaffects the business. It is dynamic andincludes the behaviour of individuals, therole and importance of family, customs,traditions, beliefs and values, religion andlanguages, the ethical values.

The socio-cultural environment also includes the following:

1)The social institutions and groups

2) Family structure prevalent in the society

3) Role of marriage as an institution

4) Caste system in the society

5) Customs , beliefs and values

iii) Political and Legal environment –

Theframework for running a business is givenby the political and legal environment.The success of a business lies in its abilityto adapt and sustain to political and legal changes. The legislative, executive and judiciary are the three political institutions which directs and influences a business.

1) Political stability

2) Political organisation

3) The image of the leader and the country inthe inter-national arena.

4) Legal framework of business and theirdegree of flexibility.

5) The constitution of the nation.

iv) Geo-physical environment – The natural,geographical and ecological factors have abearing on the business. These are as follows;

1) the availability of natural resources likeminerals oil .etc, since setting up of industries requires availability of raw materials

2) the weather and climatic conditions andavailability of water and other natural resources is essential for the agricultural sector.

i) Technological environment –The development in the IT andtelecommunications has created aglobal market.

1) the level of technology available withinthe country

2) rate of change in technology

3) technology adopted by competitors

4) technological obsolescence

vi) Global environment With the rapidgrowth of technology the physicalboundaries are fast disappearing andthe new global market is emerging. Theinternational environmental factors whichaffects a business are as follows;

1) Differences in language and culture

2) Differences in currencies

3) Differences in norms and practices

4) Differences in tastes and preferences of people

5) The tax structure relating to import and export.

2. Describe the economic and socio culturalenvironment of business.

i) Economic environment: The business isan integral part of the economic systemprevalent in a nation. The multiple variables in the macro environment system which has a bearing on a business include

1. The nature of economy based on the stageof development.

2) The nature of economic system Theeconomic systems can be classified asCapitalistic, Socialistic and Mixed economy.

3) The economic policies of a nation Monetarypolicy, fiscal policy, Export-import policy,Industrial policy Trade policy, Foreignexchange policy etc are part of the economicenvironment.

4) The Economic indices like GDP, GNP national income, per-capita income,balance of payments, rate of savings and investments etc. form an important part of economic environment.

i) Socio-Cultural environment - Business is a part of the society. Social environment refers to the sum total of factors of thesociety in which the business is located.Social and cultural environment of societyaffects the business.

The socio-cultural environmentalso includes the following;

1) The social institutions and groups

2) Family structure prevalent in the society

3) Role of marriage as an institution

4) Caste system in the society

5) Customs , beliefs and values

3. Explain the micro environmental factors ofbusiness.

i) Suppliers: In any organisation the suppliersof raw materials and other inputs play avery vital role. Timely procurement ofmaterials from suppliers enables continuityin production and reduces the cost ofmaintaining maintaining stock/inventory.

ii) Customers: The aim of any business isto satisfy the needs of its customers. Thecustomer is the king and the fulcrumaround which the business revolves.

iii) Competitors: All organisations facecompetition at all levels local, nationaland global. Competitors may be for thesame product or for similar products.

iv) Financiers: The financiers of a business which includes the debenture holders andfinancial institutions play a significantpart in the running of a business. Theirfinancial capability, policies strategies,attitude towards risk and ability to givenon–financial assistance are all importantto a business.

v) Marketing Channel members: Themarketing inter-mediaries serve as aconnecting link between the business andits customers. The middlemen like dealers, wholesalers and retailers ensure transfer ofproduct to customers .physical distributionis facilitated by transporters, and warehouses help in storing goods.

vi) Public This refers to any group like mediagroup, citizen action group and local publicwhich has an impact on the business.

Many companies had to face closuredue to actions by local public.

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

The significance of understanding the business environment is as follows:

i. Helps in formulating Strategy and futureplanning: The data relating to the businessenvironment are used as a record for devising important business strategies and to planfor the future development of the businessconcerned.

ii. Enables to identify the opportunities available: The analysis of business environment helps abusiness to identify new opportunities.

iii. Environment scanning: It helps the firmsto identify threats which may affect thebusiness. Thus measures can be taken by thefirm to overcome the threats.

iv. Business aids: It stimulates systematic monitoring of environment which helpsbusiness in taking steps to cope with therapid changes

v. Public image: Environmental analysis helpsa business to enhance its image by beingsensitive and quickly responding to thechanging environment and needs of people.

Example large scale Retail stores like AdityaBirla's "More" are now providing homedelivery services.

UNIT 7

BUSINESS ENVIRONMENT

20 CHAPTER

LIBERALIZATION, PRIVATIZATION AND GLOBALIZATION

CHAPTER SYNOPSIS

DIMENSIONS OF NEW ECONOMIC POLICY
MEANING AND FORMS OF LIBERALISATION
ADVANTAGES AND DISADVANTAGES OF LIBERALISATION
IMPACT OF LIBERALISATION
MEANING AND FORMS OF PRIVATISATION
ADVANTAGES AND DISADVANTAGES OF PRIVATISATION
IMPACT OF PRIVATISATION
MEANING AND FORMS OF GLOBALISATION
ADVANTAGES AND DISADVANTAGES OF GLOBALISATION
IMPACT OF GLOBALISATION
HIGHLIGHTS OF LPG POLICY

I. Choose the Correct Answers:

1. is the result of New Industrial Policy which abolished the 'License System'.

(a) Globalisation (b) Privatisation
(c) Liberalisation (d) None of these

Ans: (c) Liberalisation

2. means permitting the private sector to setup industries which were previously reserved for public sector.

(a) Liberalisation (b) Privatisation
(c) Globalisation (d) Public Enterprise

Ans: (b) Privatisation

3. ownership makes bold management decisions due to their strong

foundation in the international level.

(a) Private (b) Public
(c) Corporate (d) MNC's

Ans: (a) Private

4. results from the removal of barriers between national economies to encourage the flow of goods, services, capital and labour.

(a) Privatisation (b) Liberalisation
(c) Globalisation (d) Foreign Trade

Ans: (c) Globalisation

5. New Economic Policy was introduced in the year

(a) 1980 (b) 1991 (c) 2013 (d) 2015

Ans: (b) 1991

II.Very Short Answer Questions:

1. State the branches of New Economic Policy.

Liberalization

Privatization Globalization

2What is Privatisation?

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

3. Mention any three disadvantages of Liberalisation.

(a)Increase in unemployment

(b)Loss to domestic units

(c)Increased dependence on foreign nations

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

Currently only Atomic Energy, Defence and Railways are Government monopoly industries i.e., Public sector industries in the country.

5. Give any three advantages of Globalisation.

(a)Loss of domestic industries

(b)Increase in inequalities

(c)Dominance of foreign institutions

III. Short Answer Questions:

1. What do you mean by Liberalisation?

Liberalization refers to laws or rules being liberalized, or relaxed, by a government. Liberalization means relaxation of various government restrictions in the areas of social and economic policies in order to make economies free to enter in the market and establish their venture in the country.

Liberalizing trade policy by the government includes removal of tariff, subsidies and other restrictions on the flow of goods and services between countries.

Liberalization is the result of New Industrial Policy which abolished the "License system" or "Licence Raj".

2. Explain the concept of Privatisation.

Privatisation means permitting the private sector to set up industries which were previously reserved for the public sector.

The main reason for privatisation was that PSUs were running in losses due to mismanagement and political interference. The managers could not work independently and the production capacity remained under-utilized.

3. What are advantages of disinvestment?

The Govt. has started the process of disinvestment in those PSUs which had been running into loss. It means that Govt. has been selling out these industries to private sector.

The government can focus more on core activities such as infrastructure, defence, education etc..Brings about greater efficiencies for the economy and markets as a whole Greater opportunities and avenues for career growth- further employment generation.

4. State any three impacts on Globalisation.

(a) Corporations got a competitive advantage from lower operating costs, and access to new raw materials and additional markets.

(b) Multinational corporations (MNCs) canmanufacture, buy and sell goods worldwide.

(c) Globalisation has led to a boom inconsumer products market.

(d) The advent of foreign companies andgrowth in economy has led to job creation.

5. Write a short note on New Economic Policy

India agreed to the conditions of World Bank and IMF and announced New Economic Policy (NEP) which consists of wide range of economic reforms. This new set of economic reforms is commonly known as the LPG or Liberalisation, Privatisation and Globalisation model.

Liberalization refers to laws or rules being liberalized, or relaxed, by a government.

Privatisation means permitting the private sector to set up industries which were previously reserved for the public sector.

Globalisation means the interaction and integration of the domestic economy with the rest of the world with regard to foreign investment, trade, production and financial matters

IV. Long Answer Questions:

1. Explain the advantages and disadvantages of liberalisation.

Advantages

(a) Increase in foreign investment: If acountry liberalises its trade, it will make the country more attractive for inward investment.

(b) Increase the foreign exchange reserve: Relaxation in the regulations covering foreign investment and foreign exchange has paved way for easy access to foreign capital.

(c) Increase in consumption: Liberalization increases the number of goods available for consumption within a country due to increase in production.

(d) Control over price: The removal of tariffbarriers can lead to lower prices for consumers. This would be particularly a benefit for countries who are importers.

(e) Reduction in external borrowings: Liberalization reduces the dependence on external commercial borrowings by attracting more foreign investments.

Disadvantages

(a) Increase in unemployment: Trade liberalisation often leads to a shift in the balance of an economy. Some industries grow, some decline. Therefore, there may often be structural unemployment from certain industries closing.

(b) Loss to domestic units: With fewerentry restrictions, it has been possible for many entrants to make inroads into the country, which poses a threat and competition to the existing domestic units.

(c) Increased dependence on foreignnations: Trade liberalisation means firms will face greater competition fromabroad.

(d) Unbalanced development: Trade liberalisation may be damaging for developing economies which cannot compete against free trade. The trade liberalisation often benefits developed countries rather than developing economies.

2. Explain the impact of LPG on Indian Economy.

Impact of Liberalization

(a) The impact of Liberalisation on IndianEconomy was well afforeciable with the phenominal growth by contributing $1.3 Trillion to the world GDP. So also the Indian Economy because the Seventh Largest among the world leading economies.

(b) Liberalization has opened up newbusiness opportunities abroad and increased foreign direct investment.

(c) New market for various goods came intoexistence and resulted not only in urban but also in rural development.

(d) It became very easy to obtain loans frombanks for business expansion.

(e) "Foreign Collaboration" is the latest outcome of liberalization.

(f) A number of multinational companiesstarted operating world-wide including India

Impact of Privatization

(a) Privatization has a positive impact onthe financial growth by decreasing thedeficits and debts.

(b) Increase in the efficiency of governmentundertakings.

(c) Provide better goods and services to theconsumers.

(d) Making way for Foreign DirectInvestment (FDI)

Impact of Globalization

(a) Corporations got a competitive advantage from lower operating costs, and access to new raw materials and additional markets.

(b) Multinational corporations (MNCs) canmanufacture, buy and sell goods worldwide.

(c) Globalisation has led to a boom inconsumer products market.

(d) The advent of foreign companies andgrowth in economy has led to job creation.

(e) Globalisation has touched every aspectof agriculture like technological advancement, improved production techniques and quality based enhancement.

Highlights of the LPG Policy

Given below are the salient highlights of the Liberalisation, Privatisation and Globalisation Policy in India:

(a) Introduction of new Foreign Trade Agreements

(b) Foreign Investment (FDI & FII)

(c) MRTP Act, 1969 (Amended)

(d) Deregulation

(e) Opportunities for overseas trade

(f) Steps to regulate inflation

(g) Tax reforms

(h) Abolition of License

Globalization and liberalization areconcepts closely related to one another, and both globalization and liberalization refer to relaxing social and economic policies which results in better integration with an economy and between nations.

Globalization and liberalization both occur as a result of modernization. Globalization is the greater integration among countries and economies for trade, economic, social and political benefits.

Liberalization generally refers to removal of restrictions; usually government rules and regulations imposed on social, economic, or political matters.

The former Prime Minister of India Dr.Manmohan Singh is considered as the architect of Indian economic reforms who introduced the policy of liberalisation in India in 1991.

UNIT VIII

THE SALE OF GOODS ACT 1930 AND THE NEGOTIABLE INSTRUMENTS ACT 1881

21 CHAPTER

THE SALE OF GOODS ACT 1930

CHAPTER SYNOPSIS

FORMATION OF CONTRACT OF SALE
DIFFERENCE BETWEEN SALE AND AGREEMENT TO SELL
TYPES OF GOODS
TRANSFER OF OWNERSHIP
CONDITIONS AND WARRANTIES
RIGHTS OF AN UNPAID SELLER

I. Choose the Correct Answers:

1. Sale of Goods Act was passed in the year
a)1940 b)1997 c)1930 d)1960

Ans: c)1930

2. Which of the below constitutes the essentialelement of contract ofsale?
a)Two partie b)Transfer of property
c)Price d)All of the above

Ans: d)All of the above

3. Which of the below is not a good?
a) Stocks b) Dividend due
c) Crops d) Water

Ans: b) Dividend due

4. In case of the sale, the..................... has the right tosell
a)Buyer b)Seller c) Hirer d)Consignee

Ans: b)Seller

5. The property in the goods means the
a) Possession of goods
b) Custody of goods
c) Ownership of goods
d)Both (a) and (b)

Ans: c) Ownership of goods

6. Specific goods denote goods identified upon the time of of sale:
a) Agreement b) Contract
c) Order d) Obligation

Ans: b) Contract

7. In which of the following types, the ownership is immediately transferred to buyer?
a) When goods are ascertained
b) When goods are appropriate
c) Delivery to the carrier
d) Sale or return basis

Ans: c) Delivery to the carrier

8...................is a stipulation which is collateralto main purpose of contract:
a) Warranty b) Condition
c) Right d) Agreement

Ans: a)Warranty

9. Unpaid seller can exercise his right of lien over the goods, where he is in possession ofthe goods as
a) Owner of goods b) Agent of buyer
c) Bailee for buyer d)All of these

Ans: d) All of these

10. The unpaid seller can exercise his right ofstoppage of goods in transit where the buyer

a) Becomes insolvent

b) Refuses to pay price

c) Payment of price

d) Both (b) and (c)

Ans: a) Becomes insolvent

II. Very Short Answer Questions:

1. What is a contract of sale of goods?

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

2. List down the essential elements of acontract of sale.

(1) Two Parties

A contract of sale involves two parties–the seller and the buyer

2) Transfer of Property

(3) Goods

(4) Price

(5) Includes both 'Sale' and 'Agreement to Sell'

3. What is meant by goods?

The term goods mean every kind of movable property other than actionable claim and money.

The term 'goods' includes every kind of movable property, stocks and shares, growing crops etc. Goodwill, trademarks, copy rights, patent rights etc., are all also regarded as goods.

4. What is a Contingent Goods?

Contingent goods are the goods, the acquisition of which by the seller depends upon a contingency (an event which may or may not happen). Contingent goods are a part of future goods.

5. What do you understand by warranty?

Warranty represents a stipulationwhich is collateral to the main purpose ofthe contract.

III. Short Answer Questions:

1. Explain the meaning of Agreement to sell.

The property (ownership or title) in the goods has to pass at a future time or after the fulfilment of certain conditions specified in the contract.

2. Discuss in detail about existing goods.

The property (ownership or title) in the goods has to pass at a future time or after the fulfilment of certain conditions specified in the contract.

Existing goods may be either

(i) Specific Goods

(ii) Ascertained Goods

(iii) Generic or Unascertained Goods

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

In every contract of sale, there are certain expressed and implied conditions and warranties.

The term implied conditions means conditions which can be inferred from or guessed from the context of the contract.

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

(i) Suit for price: Where the ownership in thegoods has passed to the buyer and the buyerrefuses to pay for the goods, the seller can filecase against the buyer for the price.

(ii) Suit for Damages for Non-acceptance: Where the buyer wrongfully refuses toaccept the goods, the seller can sue him fordamages for non-acceptance of the goods.

(iii) Suit for Cancellation of the Contractbefore the Due Date: Where the buyercancels the contract before the date ofdelivery, the seller may either treat thecontract as continuing or wait till the duedate or he can file a case against buyerimmediately.

(iv) Suit for Interest: Where there is a specific agreement between buyer and seller regarding charging interest on the price, the seller can recover interest from the buyerfrom the due date of contract till the dateof payment of purchase price

IV. Long Answer Questions:

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

(1) Two Parties

A contract of sale involves two parties– the seller and the buyer. The buyer and theseller should be two different persons

(2) Transfer of Property

To constitute sale, the seller must transferor agree to transfer the ownership in the good to the buyer.

(3) Goods

The subject matter of contract of salemust be goods. It excludes money, actionable claims and immovable property. The term 'goods' includes every kind of movable property, stocks and shares, growing crops etc. Goodwill, trademarks, copy rights, patent rights etc., are all also regarded as goods.

(4) Price

The monetary consideration for the goods sold is called price. If goods are exchanged for goods, it is only barter and not a sale. But if goods are sold partly for goods and partly for money, the contract is one of sale

(5) Includes both 'Sale' and 'Agreement to Sell'

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

2. Distinguish between sale and agreement to sell

Sl. No.	Particulars	Sale	Agreement to Sell
1.	Ownership Transference	The property (ownership or title) in the goods passes from the seller to the buyer immediately so that the seller is no more owner.	The property (ownership or title) in the goods has to pass at a future time or after the fulfilment of certain conditions specified in the contract.
2.	Risk of Loss	Where the goods sold under the contract of sale are destroyed, the loss falls squarely on the buyer as the ownership in the goods has already passed on to the latter. Even though the goods are in the possession of seller.	Where the goods under the agreement to sell are destroyed, the loss falls squarely on the seller as the ownership is still vested with the seller even though the possession of the goods is with the buyer.
3.	Consequences of violating the contract	Where the buyer fails to pay the price, the seller cannot seize the goods. The seller can only file a case against the buyer for violating the contract.	Where the buyer violates the contract, the seller can repossess the goods from the former. He can sue for damages for violation of the contract.
4.	Nature of contract	It is an executed contract i.e. completed contract	It is an executory contract, i.e. contract yet to be performed by the party to the contract.

2.	Risk of Loss	Where the goods sold under the contract of sale are destroyed, the loss falls squarely on the buyer as the ownership in the goods has already passed on to the latter. Even though the goods are in the possession of seller.	Where the goods under the agreement to sell are destroyed, the loss falls squarely on the seller as the ownership is still vested with the seller even though the possession of the goods is with the buyer.
3.	Consequences of violating the contract	Where the buyer fails to pay the price, the seller cannot seize the goods. The seller can only file a case against the buyer for violating the contract.	Where the buyer violates the contract, the seller can repossess the goods from the former. He can sue for damages for violation of the contract.
4.	Nature of contract	It is an executed contract i.e. completed contract	It is an executory contract, i.e. contract yet to be performed by the party to the contract.
5.	Insolvency of the Buyer	In a sale, if a buyer becomes insolvent before he pays for the goods even though the goods sold are under the possession of the seller, the latter has to return them to the Official Receiver or Assignee as the ownership of goods has already been transferred to the buyer. The seller can claim only rateable dividend. The seller has to inevitably part with the possession of the goods under his custody.	If the buyer becomes insolvent before the payment of the price, the seller can retain the goods if they are under his possession or even he can repossess the goods even if the possession of the goods is transferred to the buyer. In other words, the seller is not bound to lose possession of the goods.
6.	Insolvency of the Seller	If the seller become insolvent before delivering the goods to the buyer, the buyer can claim the delivery of the goods from the Official Receiver or Assignee as the ownership is already passed on to the buyer.	The buyer cannot do so. Further if the buyer has already paid the price of the goods or made any advance, he can claim only rateable dividend and not the goods because the ownership in the goods is not yet passed to him.

3. Classify goods under the Sale of Goods Act.

Existing goods may be either

(i) Specific Goods

(ii) Ascertained Goods

(iii) Generic or Unascertained Goods

1. Existing Goods

(i) Specific Goods Specific goods denote goods identified and agreed upon at the time of contract of sale.For eg. if a buyer selects a particular variety of saree after examining several other sarees, the selected one denotes specific goods

(ii)Ascertained Goods The term 'ascertained goods' is also used as similar in meaning to specific goods. But this term may even refer to goods which become ascertained subsequent to the formation of the contract.

(iii)Unascertained or Generic Goods These are goods which are not identified and agreed upon at the time of contract of sale. For eg.A wants to buy a car from a showroom where different models at different prices have been displayed. All these displayed models represents unascertained goods.

2. Future Goods

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

Eg. 'A' contractor agrees to supply 100 bags of rice to 'B' for giving marriage feast. It is a case of future goods.

3. Contingent Goods

Contingent goods are the goods, the acquisition of which by the seller depends upon a contingency (an event which may or may not happen). Contingent goods are a part of future goods.

Eg.'A' agrees to sell a particular painting work, provided he gets from 'C'. In this case, the painting work represents contingent goods.

4. Distinguish between Conditions and Warranty.

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

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

Rights of an Unpaid Seller

<u>I.(a). Rights of an Unpaid Seller against the Goods</u>

(i) Where the Property in the Goods has Passedto the Buyer

a. Right of Lien: An unpaid seller has aright to retain the goods till he receives the price. But to exercise this lien

i. He must be in possession of goods

ii. The goods must have been sold without anystipulation as to credit or where goods havebeen sold on credit, the terms of credit musthave expired. He can also exercise the right oflien when the seller becomes insolvent.

b. Right of Stoppage in Transit

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

In other words, goods must be neither with the seller nor with the buyer but should be in the hands of a carrier. Further, the buyer must have become an insolvent.

c. Right of Resale

The unpaid seller can resell the goods

(i) Where they are of a perishable nature or

(ii) After exercising his right of lien or stoppagein transit, even though he has given to resell, buyer has not tendered the price within a reasonable time.

(iii) Where the seller has expressly reserved theright of resale in the contract itself.

I.(b). Where the Property in the Goods doesnot pass to the Buyer

II. Right of an Unpaid Seller against the Buyer Personally

(i) Suit for price: Where the ownership in thegoods has passed to the buyer and the buyerrefuses to pay for the goods, the seller can filecase against the buyer for the price.

(ii) Suit for Damages for Non-acceptance: Where the buyer wrongfully refuses toaccept the goods, the seller can sue him fordamages for non-acceptance of the goods.

(iii) Suit for Cancellation of the Contractbefore the Due Date: Where the buyercancels the contract before the date of delivery, the seller may either treat thecontract as continuing or wait till the duedate or he can file a case against buyerimmediately.

(iv) Suit for Interest: Where there is a specificagreement between buyer and sellerregarding charging interest on the price, theseller can recover interest from the buyerfrom the due date of contract till the dateof payment of purchase price

UNIT VIII

THE SALE OF GOODS ACT 1930 AND THE NEGOTIABLE INSTRUMENTS ACT 1881

22 CHAPTER

THE NEGOTIABLE INSTRUMENTS ACT 1881

CHAPTER SYNOPSIS

1. NEGOTIABLE INSTRUMENTS – MEANING, CHARACTERISTICS, ASSUMPTIONS
2. NEGOTIABILITY AND ASSIGNABILITY
3. BILLS OF EXCHANGE, CHEQUE, PROMISSORY NOTE – A COMPARISON
4. CROSSING OF CHEQUE
5. ENDORSEMENTS

I. Choose the Correct Answers:

1. Negotiable Instrument Act was passed in the year...........

a. 1981 b. 1881 c. 1994 d. 1818

Ans: b. 1881

2. Negotiable Instrument is freely transferable by delivery if it is a instrument.

a. Order b. Bearer
c. Both a & b d. None of the above

Ans: b. Bearer

3. The transferee of a Negotiable Instrument is the one

a. Who transfer the instrument
b. On whose name it is transferred
c. Who enchases it
d. None of the above

Ans: b. On whose name it is transferred

3 . Number of parties in a bill of exchange are

a. 2 b. 6 c. 3 d. 4

Ans: c. 3

5. Section 6 of Negotiable Instruments Act 1881 deals with

a. Promissory Note b. Bills of exchange
c. Cheque d. None of the above

Ans: c. Cheque

6. ....cannot be a bearer instrument.

a. Cheque b. Promissory Note
c. Bills of exchange d. None of the above

Ans: a. Cheque

7. When crossing restrict further negotiation

a. Not negotiable crossing
b. General Crossing
c. A/c payee crossing
d. Special crossing

Ans : a. Not negotiable crossing

8. Which endorsement relieves the endorser from incurring liability in the event of dishonour

a. Restrictive b. Faculative
c. Sans recourse d. Conditional

Ans: b. Faculative

9. A cheque will become stale after .... months of its date:

a. 3 b. 4 c. 5 d. 1

Ans: a. 3

10. Document of title to the goods exclude

a. Lorry receipt b. Railway receipt

c. Airway bill d. Invoice

Ans: d. Invoice

II. Very Short Answer Questions:

1. What is meant by Negotiable Instrument?

In the words of Justice K.C. Wills, a negotiable instrument is one, the property in which is acquired by anyone who takes it bonafide and for value, and withstanding any defect to title in the person from whom he took it.

2. Define Bill of Exchange

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

3. List three characteristics of a Promissory Note.

1. A promissory note must be in writing. Anoral promise to pay does not constitute apromissory note.

2. It must contain a promise or undertakingto pay a mere acknowledgement ofindebtedness will not make it a promissory note.

3. The promise to pay must be unconditional.In other words, the promise to pay mustnot depend upon the happening of anyuncertain event.

4. What is meant b a cheque?

According to section 6 of the Negotiable Instruments Act, 1881 defines a cheque as "a bill of exchange drawn on a specified banker and not expressed to be payable otherwise than on demand".

5. Define Endorsement

Section 15 of the Negotiable instruments Act 1881 defines endorsement as follows:

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

III. Short Answer Questions:

1. Explain the nature of a Negotiable Instrument.

Characteristics of a Negotiable Instrument

1.Transferability

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

2. Title of the holder free from alldefects

A person taking the instrument in good faith and for value is known as holder in due course. When the instrument is held by holder in due course in the process of negotiation, it is cured of all defects in the instrument with respect to ownership.

3. Right of the transferee to sue

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

2. Distinguish between Negotiability and Assignability.

Sl. No.	Basic of Difference	Negotiability	Assignability
1.	Legal Ownership	It passes to the transferee by mere endorsement in the case of a bearer instrument and by endorsement and delivery in the case of an order instrument.	An assignment can be made by observing certain formalities. For instance, an instrument is to be made in writing, duly stamped and signed by the transferor or his agent.
2.	Notice	Notice is not necessary for the holder of negotiable instrument to claim the payment from the debtor.	In case of actionable claim, notice of the assignment by the transferee regarding the transfer of debt to the debtor is necessary.
3.	Nature of title	Holder of negotiable instrument in due course gets a better title than even the transferor. It means that the transferee gets the instrument free from any defect existing in the title of the transferor or any prior party.	The transferee's title to the instrument is subject to the defects of the transferor's title. In other words, defects in the title of the transferor pass on to the transferee too.
4.	Consideration	Consideration is presumed	The assignee has to prove the consideration for the transfer.

3. What are the characteristics of a bill of exchange?

Characteristics of a Bill of Exchange

i.A bill of exchange is a document in writing.
ii.The document must contain an order to pay.
iii.The order must be unconditional.

iv. The instrument must be signed by theperson who draws it.

v. The name of the person on whom the bill isdrawn must be specified in the bill itself.

4. Distinguish between Bill of Exchange & Promissory Note.

Sl. No.	Basic of Difference	Bill of Exchange	Promissory Note
1.	Nature of Undertaking	A bill of exchange contains an unconditional order to pay money.	A promissory note contains an unconditional undertaking to pay money.
2.	No. of Parties	There are three parties in a bill of exchange drawer ,drawee and payee.	In a promissory note there are only two parties the maker and the payee.
3.	Drawer of the instrument	A creditor draws a bill on a debtor.	A debtor executes a promissory note in favour of a creditor.
4.	Identity of the parties	In a bill of exchange, both the drawer and the payee can be one and the same person.	In a promissory note, the maker himself cannot be the payee because the same person cannot be both the promisor and the promisee.

5. Discuss the two different types of crossing.

Crossing a cheque refers to the practice of drawing two parallel transverse lines across the faceofa cheque with or without the words 'and Co'.

The effect of this crossing is that the drawee bank will pay the amount of a cheque only to the banker.

Crossing is of two types

General Crossing and Special Crossing.

Types of Crossing General Crossing

According to section 123 of the Negotiable Instruments Act, 1881,

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

Special Crossing

Section 124 defines special crossing as follows:

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

IV. Long Answer Questions:

1. Mention the presumptions of Negotiable Instruments. **Presumptions to Negotiable Instrument**

Certain presumptions as briefly mentioned below:

I. Every negotiable instrument is presumedto have been drawn, accepted etc. forconsideration.

2. II. A negotiable instrument is presumed tohave been accepted.

3. III. Every negotiable instrument bearing, adate is presumed to have been made ordrawn on such a date.

4. IV. It is presumed to have been acceptedwithin a reasonable time after the dateand before its maturity.

5. V. The transfer of a negotiable instrumentis presumed to have been made beforematurity.

6. VI. The endorsements appearing upon anegotiable instrument are presumed tohave been made in the order to whichthey appear thereon.

7. VII. When a negotiable instrument has beenlost, it is presumed to have been dulystamped.

8. VIII. The holder of a negotiable instrument ispresumed to be a holder in due course.

2. Distinguish a cheque and a bill of exchange.

Sl. No.	Basic of Difference	Bill of Exchange	Cheque
1.	Drawn	A bill of exchange can be drawn on any person including a banker	A cheque can be drawn only on a particular banker.
2.	Payability	It is payable on demand or on the expiry of a certain period.	It is payable on demand only.
3.	Validity	A bill made payable to bearer on demand is void by virtue of section 31 of the RBI Act.	A cheque drawn payable to bearer on demand is perfectly valid.
4.	Acceptance	In case of time bill, acceptance by the drawee is necessary before he can be made liable on it.	A cheque does not require any acceptance.
5.	Grace period	Three days of grace are allowed while calculating the maturity date in the case of time bill.	No days of grace are allowed in the case of a cheque for the simple reason that is always payable on demand.
6.	Notice	When a bill is dishonoured, notice of dishonour is necessary.	Notice is not necessary for a cheque.
7.	Sets	Foreign bills of exchange are drawn in sets of three.	It is not so in case of cheque.
8.	Discounting	A bill can be discounted with a bank.	A cheque cannot be discounted.
9.	Stamping	Bills are to be sufficiently stamped	Cheques need not be stamped
10.	Currency	A bill can be drawn and payable in any currency.	A cheque is payable only in home currency.
11.	Crossing	A bill cannot be crossed	A cheque can be crossed either generally or specially so as to ensure payment to the rightful owner.
12.	Dishonour	On dishonour of a bill there is a practice of noting and protesting	No such thing is done on the dishonour of a cheque.
13.	Discharge from Liability	The drawer of bills is discharged from liability if it is not duty presented for payment.	The drawer of a cheque is not discharged by delay of the holder in presenting it for payment unless because of the delay his interest have been damaged owing to bank's failure meanwhile.

3. Discuss in detail the features of a cheque.

Features of a Cheque

(i) Instrument in Writings

A cheque or a bill or a promissory note must be an instrument in writing. Though the law does not prohibit a cheque being written in pencil, bankers never accept it because of risks involved. Alternation is quite easy but detection impossible in such cases.

(ii) Unconditional Orders

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

(iii) Drawn on a Specified Banker Only

The cheque is always drawn on a specifiedbanker. A cheque vitally differs from a bill in this respect as latter can be drawn on any person including a banker. The customer of a banker can draw the cheque only on the particular branch of the bank where he has an account.

(iv) A Certain Sum of Money Only

The order must be for payment of onlymoney. If the banker is asked to deliver securities, the document cannot be called a cheque. Further, the sum of money must be certain.

(v)Payee to be Certain

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

(vii) Signed by the Drawer

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

(vi) Payable Always on Demand

A cheque is always payable on demand.The words on demand are not used when the drawee bank is asked to pay and the time for its payment is not specified, it is considered to be payable on demand.

4. What are the requisites for a valid endorsement? Requisites of a Valid Endorsement

If an endorsement is to be valid, it must possess the following requisites:

1. Endorsement is to be made on the face of the instrument or on its back. It is usually madeon the back of a negotiable instrument.
2. When there is no space for making furtherendorsements a piece of paper can beattached to the negotiable instrument forthis purpose. This piece of paper is called'Allonge'.
3. If the endorsee's name is wrongly spelt, theendorsee should sign the same as spelt in the instrument and write the correct spelling within brackets after his endorsement.
4. Endorsement for only a part of the amountof the instrument is invalid. It can be madeonly for the entire amount.
5. Where, however, the instrument has beenpartly paid, a note to that effect can be givenon the instrument and endorsement madefor the balance amount.
6. Signing in block letters does not constituteregular endorsement.
7. The prefixes or suffixes added to the namesof the payees or endorsees must be omittedin the endorsement.
8. Endorsement must be in link

5.Types of Endorsement Meaning Specimen

1. Endorsement in blank or general endorsement When the endorser puts his mere signature on the back of an instrument without mentioning the name of the person to whom the endorsement is made, it is called Blank Endorsement or General Endorsement. Eg. A cheque is drawn in favour of Pallavan and Pallavan who is entitled to get the amount of the cheque desires to transfer it to Paari. If Pallavan just puts his signature without mentioning the name of Paari to whom hewants to endorse it is called "Pallavan "

Explain the different kinds of endorsements Kinds of Endorsements

Blank Endorsement.

2. Endorsement in full or special endorsement Where the endorser, in addition to his signature, specifies the person to whom or to whose order the instrument is payable, the endorsement is called endorsement in full. In the above example, if Pallavan writes as follows and puts his signature, it becomes a full endorsement.Any holder can convert a blank endorsement into special endorsement by writing above the signature of the endorser a direction to pay to himself or to some other person. When he makes it payable to some other person and delivers it to that person, he does not endorse it himself and therefore he assumes no liability thereon as an endorser. When a cheque is drawn payable to a bearer, even a subsequent endorsement in full cannot make it payable to order. Pay to Paari" Pallavan"

3.Conditionalor qualifiedendorsement

Where the endorser of a negotiable instrument makes his liability dependent upon the happening of an event which may or may not happen, it is called conditional endorsement.Similarly where the right of the endorsee to receive the amount is made dependent upon the happening of an event which may or may not happen, then also the endorsement is called conditional or qualified endorsement.Here Paari, the endorsee is entitled to receive payment only on the fulfilment of the specified condition, namely his return from Delhi within three months.Conditional endorsement does not affect negotiability. Such endorsements are not usually made Pay Paari, if he returns from Delhi within three months."Pallavan"

4. Restrictive endorsement When an endorsement restricts or prohibits further negotiability of the instrument, it is called Restrictive Endorsement. Th e omission ofthe words "or order" does not Pay Sundar only "Pallavan"Pay Sundar for my use "Pallavan" render the endorsementrestrictive.

5. Sans recourse endorsement Ordinarily the endorser becomes liable to subsequent parties in the event of dishonour of the instrument. But if he makes it clear that the subsequent holders should not look to him for payment in case it is dishonoured, the endorsement is called SansRecourse Endorsement. Pay to Varsha or order sans recourse "Pallavan" Pay to Shalini or order without recourse to me "Hemakumar"

UNIT IX

ENTREPRENEURSHIP DEVELOPMENT

23 CHAPTER

ELEMENTS OF ENTREPRENEURSHIP

CHAPTER SYNOPSIS

1. ENTREPRENEURSHIP – CONCEPT, MEANING AND DEFINITION
2. CHARACTERISTICS OF ENTREPRENEUR
3. IMPORTANCE OF ENTREPRENEURSHIP
4. ENTREPRENEUR, INTRAPRENEUR AND MANAGER – A COMPARISON
5. WOMEN ENTREPRENEURS – OPPORTUNITIES AND CHALLENGES
6. ENTREPRENEURIAL FUNCTIONS

I. Choose the Correct Answers:

1. Which of the below is a factor of production?

(a) Land (b) Labour
(c) Entrepreneurship (d) All of the above

Ans: (d) All of the above

2. Entrepreneur is not classified as

(a) Risk Bearer (b) Innovator
(c) Employee (d) Organizer

Ans: (b) Innovator

3. What are the characteristics of an entrepreneur?

(a) Spirit of enterprise (b) Flexibility
(c) Self Confidence (d) All of the above

Ans: (d) All of the above

4. Which of the below is not classified into managerial functions?

(a) Planning (b) Marketing
(c) Organizing (d) Controlling

Ans: (c) Organizing

5. Which of the below is a commercial function?

(a) Accounting (b) Coordination
(c) Discovery of idea (d) Planning

Ans: (a) Accounting

II. Very Short Answer Questions:

1. Mention any two features of entrepreneurs.

I. Spirit of service
II. Self confidence
III. Flexibility
IV. Innovation

2. List down the managerial functions of entrepreneurs.

(i) Planning
(ii) Organising
(iii) Directing
(iv) Controlling
(v) Coordination

3. List down the promotional functions of entrepreneurs.

(1) Discovery of Idea

(2) Determining the business objectives

(3) Detailed Investigation

(4) Choice of form of enterprise

(5) Fulfilment of the formalities

(6) Preparation of Business Plan

(7) Mobilisation of funds

(8) Procurement of Machinesand Materials

4. Define Intrapreneur

Intrapreneur is one who thinks and acts like an entrepreneur for the firm's development during the course of employment in an organisation.

An Intrapreneur is described to be an inside entrepreneur or an entrepreneur within a large firm who uses entrepreneurial skills without incurring the risk associated with those activities.

5. List the problems faced by the women entrepreneurs

1. Problem of Finance
2. Limited Mobility
3. Lack of Education
4. Lack of Network Support
5. Stiff Competition
6. Sensitivity
7. Lack of Information
8. Dependent culture

III. Short Answer Questions:

1. Define Entrepreneur

According to J.A. Schumpeter Joseph A. Schumpeter, "Entrepreneurship is essentially a creative activity. It consists of doing such things as are generally not done in ordinary course of business. An entrepreneur is one who innovates, i.e. carries out new combination or enterprise."

2. Distinguish between entrepreneur and Manager.

Difference between 'Entrepreneur' Vs.'Manager'

Basis of difference	Entrepreneur	Manager
Motive	The very motive of an entrepreneur is to start a venture by setting of an entity.	The very motive of manager is to render service in an entity setup for execution of venture.
Status	Entrepreneur is owner of the entity	Manager is a salaried employee in the entity set up for carrying on the venture.
Risk Bearing	Entrepreneur bears the eventual risk and uncertainty in operating the enterprise	Manager doesn't bear any risk in the venture where the venture is unsuccessful he/she simply quits the enterprise.
Rewards	Entrepreneur is rewarded by profit for the risk bearing exercise. The reward for entrepreneur is totally uncertain.	Manager's reward salary, bonus, allowance is certain and regular.
Skills	An entrepreneur requires creative talent, intuition and urge for innovation.	Manager requires conceptual skills and human relations skills.

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

III. Commercial Functions

(i) Production or Manufacturing

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

(ii) Marketing

Entrepreneur has to carry out following functions pertaining to marketing aspect namely consumer research, product planning and development, standardisation, packaging, pricing, warehousing, distribution, promotion etc.,

(iii) Accounting

Entrepreneur has to arrange to prepare trading and profit and loss account in order to know the profit or loss incurred out of operation of the business and prepare balance sheet to know the financial status of business at a particular day.

(iv) Finance

In the sphere of financial function, an entrepreneur has to take decisions like choosing the right type of financing, framing the best dividend policy, acquiring of funds, efficiently managing fixed and current assets, maximising shareholders wealth and investing of funds efficiently and effectively.

(v) Human Resource Management

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

4. Explain the promotional functions of entrepreneur.

I. Promotional Functions

(1) Discovery of Idea

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

(2) Determining the business objectives

Entrepreneur has to develop business objectives in the backdrop of nature of business and type of business activity i.e. nature of business, manufacturing or trading, type of business organisation chosen so that he/she can organise the venture in accordance with the objectives determined by him/her.

(3) Detailed Investigation

Entrepreneur has to analyse in detail the product proposes to produce. In other words, Entrepreneur should investigate commercial feasibility of the product proposed to be produced and conduct market study to ascertain the potential demand for the product.

(4) Choice of form of enterprise

Entrepreneur has to choose the appropriate form of organisation suited to implement the venture.

(5) Fulfilment of the formalities

Having chosen the appropriate type of organisation, entrepreneur has to take necessary steps to establish the form of organisation chosen.

(6) Preparation of Business Plan

Entrepreneur has to prepare a business plan or project report of the venture that he is proposing to take up. This plan helps entrepreneur to achieve various objectives formulated within a specified period of time.

5. Explain the commercial functions of entrepreneur.

III. Commercial Functions

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(v) Human Resource Management

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IV. Long Answer Questions:

1. How do you Classify entrepreneurs.

(i) Entrepreneur as a Risk Bearer

Richard Cantillon, an Irish man described the entrepreneur to be a person who assumes risk inherent in the venture started by him. Entrepreneur acts as an agent combining all factors of production to produce a product or service in order to sell at uncertain price in future.

(ii) Entrepreneur as an Organiser

According to Jean Baptize, entrepreneur is one who brings together various factors of production and creates an entity to produce product or service and supervises and co- ordinates several functions in the process. He further elaborates that an entrepreneur faces a great deal of obstacles and misfortunes and undergoes mental agony and anxieties in the process of organising any venture. In sum, entrepreneur is described to be an organiser.

(ii) Entrepreneur as an Innovator

Joseph A Schumpeter in the year 1934 used innovation as a criterion to define an individual as entrepreneur. According to him, entrepreneur is one who

i. Introduces a brand new product in the market

ii. Institutes new technology to produce a product

iii. Discovers new course of supply of raw materials

iv. Discovers new product hitherto untapped

v. Puts in place a new form of organisation by establishing a monopoly or by dismantling existing monopoly.

6. What are the characteristics of an entrepreneur? Characteristics of Entrepreneur

1. Spirit of Enterprise

Entrepreneur should be bold enough to encounter risk arising from the venture undertaken. Entreprenuer should not get discouraged by setbacks or frustrations emerging during the course of entrepreneurial journey.

2. Self Confidence

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

3. Flexibility

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

4. Innovation

Entrepreneur should contribute something new or something unique to meet the changing requirements of customers namely new product, new method of production or distribution, adding new features to the existing product, uncovering a new territory for business, innovating new raw material etc.,

5. Resource Mobilisation

Entrepreneur should have the capability to mobilise both tangible inputs like manpower, money materials, technology, market, method etc., which are scattered over a wide area and certain intangible inputs like motivation, morale and innovativeness cannot be purchased in the market outright.

6. Hard work

Entrepreneur should put in strenuous efforts and constant endeavours to accomplish the goals of the venture successfully. They have to courageously face uncertainties, risks and constraints.

7. Leadership

Entrepreneur should be able to influence team members by showing sympathy and empathy so as to enable them to contribute positively towards the goals of the venture.

8. Foresight

Entrepreneur should have a foresight to visualise future business environment. In other words, Entrepreneur should foresee the likely changes to take place in market, consumer attitude, technological developments etc., and take timely actions accordingly.

9. Analytical Ability

Entrepreneurs should not make decisions on the basis of own prejudice or personal likes and dislikes.

10. Decision Making

Entrepreneur has to take timely and correct decision with regard to nature and type of product to be produced, type of technology to be adopted, type of human assets to be employed, location of the enterprise, size of the unit, volume of production and so on.

7. Distinguish between an Entrepreneur and an Intrapreneur.

Basis	Entrepreneur	Intrapreneur
Thinking	Entrepreneur is a free thinker	Intrapreneur is forced to think independently but within scope of business activities undertaken in the enterprise.
Dependency	Entrepreneur is an independent person	Intrapreneur is dependent on the entrepreneur. He is an employee.
Fund Mobilization	Entrepreneur has to mobilize funds to finance the venture.	Intrapreneur does not engage in fund mobilization. But can access funds mobilized by the entrepreneur.
Reward	Entrepreneur is rewarded by profit for the risk bearing exercise.	Intrapreneur does not share in profits of venture. But gets perquisites, salary, incentives etc., for the service.
Risk Bearing	Entrepreneur bears the risk involved in the venture undertaken.	Intrapreneur does not bear any risk in the venture and does not even share the risk inherent in the project or work assigned. However Intrapreneur is accountable for the task or project assigned.
Status	Entrepreneur is owner, and doesn't report to anybody in the venture.	Intrapreneur is a salaried employee. Intrapreneur works within control put in place in the organization and is made accountable for the activities undertaken.
Operation	Entrepreneur operates mostly outside the enterprise.	Intrapreneur operates within the enterprise.

8. Discuss the problems faced by Women Entrepreneurs.

1. Problem of Finance

The access of women to external sources of funds is limited as they do not generally own properties in their own name.

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

They impose stringent condition which discourages women to avail themselves of loan assistance from banks.

In this context, they are pushed to rely on their own savings and small loans from friends and relatives.

Because of the limited funds, women entrepreneurs are not able to effectively and efficiently run and expand their business.

2. Limited Mobility

Indian women cannot afford to shed their household responsibilities towards their family even after they plunge into the venture started by them. This restricts the mobility of women entrepreneur significantly.

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

3. Lack of Education

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

4. Lack of Network Support

The successful operation of any venture irrespective of the size depends upon the network of support extended by various constituencies like family members, friends, relatives, acquaintances, neighbours, institutions and so on.

Women entrepreneurs need much needed psychological support and wiser counselling especially during the time they actually encounter challenges. But it is reported that women entrepreneurs get very limited support in times of crisis from most of these constituencies.

5. Stiff Competition

Women entrepreneurs have to face acute competition for their goods from organised sector and from their male counterparts.

Since they are not able to spend liberally due to financial constraints, they are not able to compete effectively and efficiently in the market.

6. Sensitivity

Women are more prone to a variety of emotions. Being mother, women are vulnerable to many emotions. They tend to have sympathy and empathy for others. This trait does not allow women entrepreneurs to take objective decisions in many contexts during the course of running the entrepreneurial venture.

Besides, the weak emotions do not allow them to tolerate failures and disappointments arising during the normal course of their entrepreneurial journey. This inherently tone downs the effectiveness of their functioning.

7. Lack of Information

Women entrepreneurs are reported not to be generally aware of subsidies and incentives available for them due to their poor literacy levels or due to their pre occupation with household responsibilities.

This lack of knowledge or limited knowledge about subsidies prevents them from availing themselves of special concessions, benefits and incentives awarded by Government and other agencies.

8. Dependent culture

In India, women however educated and talented are groomed to be dependent on their parents, life partners and children during the various phases of their life cycle. They could not take decisions on their own in many contexts due to this dependency factor.

They have to take permission from their support groups to engage in any purposeful and gainful activity. They are not treated as equals unlike women in western countries.

This cultural barrier does not allow them to start and manage their ventures according to their free will and pleasure.

9. Explain in detail the various functions of an entrepreneur.

(i) Planning

Under planning, entrepreneur has to lay down the objectives, goals, vision, mission, policies, procedures, programmes, budget, schedules etc., for enabling the venture to proceed towards established destinations.

(ii) Organising

Entrepreneur puts in place suitable organisational structure to perform various managerial functions namely choosing the type of organisation, creating department, fitting the human resources to appropriate organisation slots, defining and delegating authority, distributing responsibility and creating accountability for efficient performance of activities.

(iii) Directing

In the realm of directing, entrepreneur has to motivate, lead, guide and communicate with subordinates on an ongoing basis in order to accomplish pre-set goals. The process of directing involves issuing orders and instructions, guiding, counselling and mentoring of employees, supervising employees, maintaining discipline, motivating employees and providing leadership.

(iv) Controlling

Entrepreneur has to put in mechanism to evaluate the performance of employees across the organisation. The various steps involved in control function includes fixing performance standards, measuring the actual performance, comparing actual performance with standards, finding out causes for deviation if any, undertaking corrective measures to bring actual performance to standards set. He/she may use various control techniques like account, auditing, management information system, network analysis, cost control, financial tools etc.,

(v) Coordination

Entrepreneur has to evolve mechanism to pull together the diverse functions performed by various departments or teams and direct them towards the established goals of the organisation for accomplishment.

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(i) Production or Manufacturing

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Entrepreneur has to develop business objectives in the backdrop of nature of business and type of business activity i.e. nature of business, manufacturing or trading, type of business organisation chosen so that he/she can organise the venture in accordance with the objectives determined by him/her.

(3) Detailed Investigation

Entrepreneur has to analyse in detail the product proposes to produce. In other words, Entrepreneur should investigate commercial feasibility of the product proposed to be produced and conduct market study to ascertain the potential demand for the product.

(4) Choice of form of enterprise

Entrepreneur has to choose the appropriate form of organisation suited to implement the venture.

(5) Fulfilment of the formalities

Having chosen the appropriate type of organisation, entrepreneur has to take necessary steps to establish the form of organisation chosen.

(6) Preparation of Business Plan

Entrepreneur has to prepare a business plan or project report of the venture that he is proposing to take up. This plan helps entrepreneur to achieve various objectives formulated within a specified period of time.

UNIT IIX

ENTREPRENEURSHIP DEVELOPMENT

24 CHAPTER

TYPES OF ENTREPRENEURS

CHAPTER SYNOPSIS

TYPES OF ENTREPRENEURS
CLASSIFICATION ACCORDING TO FUNCTION
CLASSIFICATION ACCORDING TO TYPE OF BUSINESS
CLASSIFICATION BASED ON TECHNOLOGY ADOPTED
CLASSIFICATION IN TERMS OF MOTIVATION
CLASSIFICATION BASED ON DEVELOPMENT STAGE
CLASSIFICATION ACCORDING TO AREA
CLASSIFICATION ACCORDING TO OWNER- SHIP

I. Choose the Correct Answers:

1. Choose the type of entrepreneur that isn't based on function:

a. Innovative b. Classical
c. Fabian d. Drone

Ans: c. Fabian

2. Choose the type of Entrepreneur that is not based on Motivation:

a. Pure b. Corporate
c. Spontaneous d. Induced

Ans: c. Spontaneous

3. Which of the following is the Activity of a Business Entrepreneur?

a. Production b. Marketing
c. Operation d. All of the above

Ans: d. All of the above

4. Find the odd one out in context of Trading Entrepreneur.

a. Selling b. Commission
c. Buying d. Manufacturing

Ans: d. Manufacturing

5. Corporate Entrepreneur is also called as

a. Intrapreneur b. Promoter
c. Manager d. Shareholder

Ans: c. Manager

6. Poultry, Flowers, Fruits etc are called allied Products of_entrepreneur.

a. Corporate b. Retail
c. Trading d. Agricultural

Ans: d. Agricultural

7. Entrepreneur Supply Services Unlike.

a. Hoteliers b. Banking
c. Airlines d. Livestock

Ans: d. Livestock

8. Motive of a Pure Entrepreneur is

a. Rendering service b. Earning profit
c. Attaining status d. Both b & c

Ans: d. Both b & c

9. Which of these is based on Technology?

a. Modern b. Professional
c. Corporate d. Industrial

Ans: c. Corporate

10. Which of the below is not a Characteristic of a Fabian Entrepreneur?

a. Conservative b. Risk averse

c. Sceptical d. Adaptive

Ans: d. Adaptive

II.Very Short Answer Questions:

1. What is the other name of business entrepreneur?

Business entrepreneur is called solo entrepreneur.

2. Mention the other name for corporate entrepreneur.

Corporate entrepreneur is called promoter.

3. Who are agricultural entrepreneur?

Those who raise allied products like poultry, meat, fish, honey, skin, agricultural implements, flower, silk, fruits, prawn etc., are called agricultural entrepreneur.

4. State the name of the following ventures:

a. Started by individuals for profit motive

b. Started by Government

c. Started by individuals and Government together

d. Started as a family business

5. Give some examples of pure entrepreneurs.

Example Dhirubai Ambani, Jamshadji Tata, T.V. Sundaram Iyengar, Seshadriji, Birla, Narayanamurthi, Aziz Premji and so on.

III. Short Answer Questions:

1. Who is a private entrepreneur?

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

2. What is political environment?

The framework for running a business is givenby the political and legal environment.The success of a business lies in its abilityto adapt and sustain to political and legal changes.

The legislative, executive and judiciary are the three political institutions which directs and influences a business.

3. List down few examples of pure entrepreneurship

Pure entrepreneurs are individuals who are propelled to enter into venture by psychological and economic motives. They apply their knowledge, skill and insight in making the venture a great success in order to earn maximum profit out of the venture.

Example Dhirubai Ambani, Jamshadji Tata, T.V. Sundaram Iyengar, Seshadriji, Birla, Narayanamurthi, Aziz Premji and so on.

4. How does a professional entrepreneur operate?

He/she simply sells out the venture started by him to someone else after its successful take-off. They keep on conceiving new ideas to develop alternative projects.

In short, these entrepreneurs have got professional expertise in starting the venture and exiting it after the establishment.

5. Explain about the agricultural entrepreneur.

Agricultural entrepreneurs are those entrepreneurs who raise farm products and market them. They use the various inputs like labour, fertilizer, insecticide, water technology etc. to raise the products and market their products either directly or through co-operative entities or through brokers or through tie up with large retailers.

Those who raise allied products like poultry, meat, fish, honey, skin, agricultural implements, flower, silk, fruits, prawn etc., are called agricultural entrepreneur.

IV. Long Answer Questions:

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

1. Business Entrepreneur

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

2. Trading Entrepreneur

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

3. Industrial Entrepreneur

These are entrepreneurs who manufacture products to cater to the needs of consuming public after identifying the need left unfulfilled by the manufacturer hitherto. They may be small, medium and large entrepreneurs.

4. Corporate Entrepreneur

Corporate entrepreneur is called promoter. He/she takes initiative necessary to start an entity under corporate format. He/she arranges to fulfil the formalities to start a corporate entity under Company law.

5. Agricultural Entrepreneur

Agricultural entrepreneurs are those entrepreneurs who raise farm products and market them.

Those who raise allied products like poultry, meat, fish, honey, skin, agricultural implements, flower, silk, fruits, prawn etc., are called agricultural entrepreneur.

6. Retail Entrepreneurs

Retail entrepreneurs are those who enter into venture of distributing the end-product to final consumer.

7. Service Entrepreneurs

Service entrepreneurs enter into the venture of supplying service products to end consumers. Hoteliers, airlines, banking, insurance and financial service providers, repair service organisation, bus operators, train service, advisory organisation, advertising firms, manpower supplier etc., come under service entrepreneur's category.

2. Discuss the nature of functional entrepreneurs.

1. Innovating Entrepreneur:

- Innovative entrepreneur is one who is always focussed on introducing a new project or already started.
- They constantly observe the environment around them; collect information and analyse them in order to contribute something a new in the venture.
- Their innovation may take the form of brand new product, upgraded product, discovering untapped market, new method of production, and so on. introducing something new in the venture.

2. Imitative Entrepreneur

- Imitative entrepreneur is one who simply imitates existing skill, knowledge or technology already in place in advanced countries.
- For example, expensive medicines developed in advanced countries are simply reengineered by changing the composition of elements or changing the process of production.

3. Fabian Entrepreneur

- These entrepreneurs are said to be traditionalists. They do not simply change to the changes happening in the environment.
- But they adapt themselves to the changes only as a last resort when they fear that non adaptability to changes will unavoidably lead to loss or collapse of the enterprise. Example; Nursus coffee

4. Drone Entrepreneur

- Drone entrepreneurs are those who are totally opposed to changes unfolding in the environment. They used to operate in the niche market. They are similar to fabian entrepreneur in single-mindedly pursuing their conventional practices.

The main difference between Fabian entrepreneur and drone entrepreneur lies in the fact that while fabian entrepreneur adapts to changes eventually as a last resort, drone entrepreneur never adapts himself or herself to change, Example; Gopal Tooth powder

3. Distinguish between the rural and urban entrepreneur.

1. Urban Entrepreneur

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

2. Rural Entrepreneur

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

UNIT IX

ENTREPRUNERIAL DEVELOPMENT

25 CHAPTER

GOVERNMENT SCHEMES FOR ENTREPRENEURIAL DEVELOPMENT

CHAPTER SYNOPSIS

1. INDIA'S EFFORTS AT PROMOTINGENTREPRENEURSHIP AND INNOVATIONS
2. SPECIFIC ENTREPRENEURSHIP SCHEMES
3. STEPS IN PROMOTING ANENTREPRENEURIAL VENTURE
4. ENTREPRENEURIAL SCHEMES OFGOVERNMENT OF TAMILNADU

I. Choose the Correct Answers:

1. The initiative was launched to modernize the Indian economy to make all governments services available electronically.

a) Standup India b) Startup India

c) Digital India d) Make in India

Ans: c) Digital India

2. .... is designed to transform India to a global design and manufacturing hub.

a) Digital India b) Make in India

c) Startup India d) Design India.

Ans: b) Make in India

3.............. is the Government of India's endeavour to promote culture of innovation and entrepreneurship.

a) AIM b) STEP

c) SEED d) AIC

Ans: a) AIM

4............should cover aspects like sources of finance, technical know-how, source of labour and raw material, market potential and profitability.

a) Technical Report b) Finance Report

c) Project Report d) Progress Report

Ans: c) Project Report

5........... has to include the mechanism for managing venture in the project report.

a) Banker b) Government

c) Lending Institutions d) Entrepreneur

Ans: d) Entrepreneur

II. Very Short Answer Questions:

1. Name any four Governmental Entrepreneurial schemes.

1. Startup India
2. Make in India
3. Atal Innovation Mission (AIM)
4. Support to Training and Employment Programme for Women (STEP):

2. Give a note on 'Digital India'.

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

The initiative aims at transforming India into a digitally-empowered society and knowledge economy with universal access to goods and services.

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

- New entrepreneur - cum - enterprise development scheme (needs)
- Unemployed Youth Employment Generation Programme (UYEGP)
- AMMA Skill Training and Employment Scheme.
- Dairy Entrepreneurship Development Scheme

4. List down the two types of finance.

Entrepreneur requires two types of finance namely long term and short term.

5. Mention the time period of Provision Registration Certificate.

It will be issued to entrepreneur after the fulfilment of certain conditions for a period of one year subject to renewal of two periods of six months duration.

If an entrepreneur is not able to commence production beyond the extension period, further extension will not be granted.

III. Short Answer Questions:

1. What is 'Startup India'?

Government of India promotes entrepreneurship by mentoring, nurturing and facilitating startups throughout their life cycle. Since its launch in January 2016, the initiative has successfully given a head start to numerous aspiring entrepreneurs. A 'Fund of Funds' has been created to help startups gain access to funding.

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

Support to Training and Employment Programme for Women (STEP): Jan Dhan-Aadhaar - Mobile (JAM):

Trade related Entrepreneurship Assistance and Development (TREAD): Modified Special Incentive Package Scheme (M-SIPS)

Science for Equity Empowerment and Development (SEED):

New Gen Innovation and Entrepreneurship Development Centre (New Gen IEDC)

3. Write a short note on the following

a) Dairy Entrepreneurship development scheme.

b) Project report.

a) Dairy Entrepreneurship development scheme.

Dairy Entrepreneurship Development Scheme aims at helping entrepreneurs in the field of Agriculture, pets and animals, and social impact to set up small dairy farms and incentives are provided to cover the cost of the required equipment or establishment of the facility.

b) Project report.

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

An entrepreneur can get the report prepared either by technical consultancy organisation or by auditors or by consultants or by development agencies.

This report should cover aspects like sources of finance, technical know-how, sources of labour and raw materials, market potential and profitability.

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

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

IV. Long Answer Questions:

1. Explain any five Government Entrepreneurial schemes.

1. Startup India:

Through the Startup India initiative, Government of India promotes entrepreneur ship by mentoring, nurturing and facilitating startups throughout their life cycle.

Since its launch in January 2016, the initiative has successfully given a head start to numerous aspiring entrepreneurs.

A 'Fund of Funds' has been created to help startups gain access to funding.

2. Make in India:

This scheme is designed to transform India into a global design and manufacturing hub, the Make in India initiative was launched in September 2014.

It came as a powerful call to India's citizens and business leaders, and an invitation to potential partners and investors around the world to centralize information about opportunities in India's manufacturing sector.

This has in turn helped procure investments, foster innovation, develop skills, protect intellectual property and build best-in-class manufacturing infrastructure.

3. Atal Innovation Mission (AIM):

AIM is the Government of India's endeavour to promote a culture of innovation and entrepreneurship, and it serves as a platform for promotion of world-class Innovation Hubs, Grand Challenges, start-up businesses and other self-employment activities, particularly in technology driven areas.

4. Support to Training and Employment Programme for Women (STEP):

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

The Ministry of Skill Development & Entrepreneurship and NITI (National Institution for Transforming India formally it is called as planning commission) Aayog recently redrafted the Guidelines of the 30-year-old initiative to adapt to present-day needs.

The programme imparts skills in several sectors such as agriculture, horticulture, food processing, handlooms, traditional crafts like embroidery, travel and tourism, hospitality, computer and IT services.

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

JAM, for the first time, is a technological intervention that enables direct transfer of subsidies to intended beneficiaries and, therefore, eliminates all intermediaries and leakages in the system, which has a potential impact on the lives of millions of Indian citizens.

2. Describe the steps promoting Entrepreneurial venture.

1. Selection of the product

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

He/she may select a brand, new product or may like to select imitation one or he/she may improve upon an existing product in terms of additional features like comforts, convenience, ease of operation, lower price etc. An entrepreneur has to conduct economic viability of the project.

2. Selection of form of ownership

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

Family ownership and partnership forms of organisation are suited for exercising unified control over the venture while the company form of organisation may be preferred for pooling of more financial resources, managerial and technical skills and business experience for carrying on medium to large venture.

3. Selection of Site

Entrepreneur has to choose suitable plot for accommodating his venture. He has four options open to him for housing his venture. These have been mentioned below.

State Development Corporation like SIDCO, SIPCOT, MMDA, TNHB and Directorate of Industries may allot plot to entrepreneur.

Entrepreneur can have a factory sheds constructed by State Industrial Development Agency Entrepreneur can start ventures in the land developed by private developers.

Entrepreneur may buy private land and develop it for industrial use.

Following things may be considered in choosing the site namely: Nearness to Native Place

Incentives provided by the Govt.

Nearness to Market

Availability of Labour and Raw Materials in a particular area. Infrastructure Facilities

4. Designing Capital Structure

Entrepreneur has to determine the source of financé for funding the venture.

He/she may mobilise funds from his own savings, loans from friends and relatives, term loans from banks and financial institutions.

5. Acquisition of Manufacturing know-how

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

At times, main units may supply manufacturing know-how to entrepreneurs starting ancillary units or plant and machinery suppliers may provide this facility to entrepreneurs. Besides, manufacturing know-how can be obtained by foreign technical collaboration.

6. Preparation of project report

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

An entrepreneur can get the report prepared either by technical consultancy organisation or by auditors or by consultants or by development agencies.

This report should cover aspects like sources of finance, technical know-how, sources of labour and raw materials, market potential and profitability.

3. Discuss the preparation of a project report.

Preparation of project report

Project reports needs to be prepared according to the format prescribed in the loan application form of term lending institutions. An entrepreneur can get the report prepared either by technical consultancy organisation or by auditors or by consultants or by development agencies. This report should cover aspects like sources of finance, technical know-how, sources of labour and raw materials, market potential profitability.

The project report should include the following

Technical Feasibility.

It should mention the following

Description of product specification Raw materials availability Manufacturing process

Quality control measures

Availability of water, power, transport and communication facilities

Economic Viability

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

Financial Viability

It should cover the aspects like

Non-recurring cost such as Land and Building, Plant and Machinery etc. Recurring expenses like wages, salaries, and overheads etc.

Probable cost of production Profit on expected sales

Managerial Competency

Entrepreneur has to include the mechanism for managing the venture in the project report.

In the case of small sized ventures, the owner or partners may take care of managerial activities while a team of managerial personnel is to be brought in for manning various managerial positions across different levels of management in the case of corporate form of organisation.

He has to provide details of the organisational structure contemplated in the project report for implementing the venture.

Provisional Registration Certificate

Entrepreneur has to apply for Provisional Registration certificate.

It will be issued to entrepreneur after the fulfilment of certain conditions for a period of one year subject to renewal of two periods of six months duration.

If an entrepreneur is not able to commence production beyond the extension period, further extension will not be granted.

Permanent Registration Certificate

Once the venture has commenced production or when it is ready to commence production, it is eligible to get permanent registration certificate.

Statutory Licence

Entrepreneur has to obtain Municipal License from the authority concerned.

Then the Entrepreneur has to register the unit with the Central and Sales Tax Department.

If a unit comes within the provisions of Factories Act, he/she has to register it with Inspector of Factories or it has to register the unit under the Shops and Establishment Act.

Power Connection

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

Arrangement of Finance

Entrepreneur requires two types of finance namely long term and short term. While long-term requirements are needed for acquiring fixed assets, short-term requirement are meant for meeting working capital needs. Entrepreneur has to bring in promoters contribution (seed capital) prescribed by financing agencies.

UNIT 10

COMPANY LAW AND SECRETARIAL PRACTICE

26 CHAPTER

COMPANIES ACT 2013

CHAPTER SYNOPSIS

EVOLUTION AND HISTORY OF COMPANY LAW IN INDIA THE COMPANIES ACT 2013 MEANING AND DEFINITION OF BODY CORPORATE (COMPANY) FORMATION / INCORPORATION OF COMPANY PROMOTER.

PROCEDURAL ASPECTS OF COMPANY FORMATION SHARE AND SHARE CAPITALISSUE OF SHARES, BONUS SHARES AND RIGHTS SHARESSHARE CERTIFICATE AND SHARE WARRANT SHARE AND STOCK DEBENTURES.

I. Choose the Correct Answers:

1. The Company will have to issue the notice of situation of Registered Office to the Registrar of Companies within days from the date of incorporation.

(a) 14 days (b) 21 days

(c) 30 Days (d) 60 Days

Ans: (c) 30 Days

2. How does a person who envisages the idea to form a company called?

(a) Director (b) Company Secretary

(c) Registrar (d) Promoter

Ans: d) Promoter

3. For which type of capital a company pays the prescribed fees at the time of registration?

(a) Subscribed Capital

(b) Authorised Capital

(c) Paid-up Capital

(d) Issued Capital

Ans: (b) Authorised Capital

4. Which of the following types of shares are issued by a company to raise capital from the existing shareholders?

(a) Equity Shares (b) Rights Shares

(c) Preference Shares (d) Bonus Shares

Ans: (b) Rights Shares

5. Specify the type of resolution to be passed to choose the location of Registered Office of the company within the town or village or city.

(a) Ordinary (b) Special

(c) Either Ordinary (d) Board or Special

Ans: Board or Special

6. Who can issue stock?

(a) Public (b) Private

(c) One Person (d) Small

Ans: (a) Public

7. Specify the document which comes under the Negotiable Instrument Act.

(a) Share Certificate (b) Share

(c) Share Warrant (d) Stock

Ans: (c) Share Warrant

8. The shares which are offered to the existing shareholder at free of cost is known as

(a) Bonus Share (b) Equity Share

(c) Right Share (d) Preference Share

Ans: (a) Bonus Share

9. The shares which are offered first to the existing shareholder at reduced price is known as.

(a) Bonus Share (b) Equity Share
(c) Right Share (d) Preference Share

Ans: (c) Right Share

10. The Companies Act 2013 Prohibits the issue of shares at .... to the public.

(a) Premium (b) Par
(c) Discount (d) Both at par and Premium

Ans: (c) Discount

II.Very Short Answer Questions:

1. Who is called as Promoters?

Promotion stage begins when the idea to form a company comes in the mind of a person. The person who envisage the idea is called a 'promoter'.

2. What is Share?

In simple, the total capital of the company is shared by many person and each share is having equal value.

3. What do you mean by Equity Share?

Those shares which are not called as preference share are known as Equity share or the share of a company which do not have any preferential rights with regard to dividend and repayment of share capital at the time of liquidation of a company, is also called as ordinary share.

4. What do you understand by Preference Share?

Section 42 of the Companies Act, 2013 the term 'preference shares' mean that part of the share capital the holders of which have a preferential right over payment of dividend (fixed amount or rate) and repayment of share capital in the event of winding up of the company.

5. What is Sweat Equity Shares?

Under section 54 of the Companies Act 2013, Sweat Equity Shares can be issued at Discount.

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

6. What is Bonus Shares?

Bonus share means to utilize the company's reserves and surpluses, issue of shares to existing shareholders without taking any consideration is known as Bonus Shares.

7. What is Right Shares?

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

8. What is Private placement?

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

9. Define Share Warrant.

A share warrant is a negotiable instrument, issued by the public limited company only against fully paid up shares. It is also termed as a document of title because the holder of the share warrant is entitled to the number of shares mentioned in it.

There is no compulsion of the issue of share warrants by the company. Although if the public company wants to issue

10. What is Debentures?

When a company needs funds for extension and development purpose without increasing its share capital, it can borrow from the general public by issuing certificates for a fixed period of time and at a fixed rate of interest. Such a loan certificate is called a debenture.

III. Short Answer Questions:

1. Distinguish between shares and stocks.

The definition of the term 'Share' under the Companies Act, 1956 (Section 2(46)) includes 'Stock'.

A company can convert its shares into stock and vice versa by following the provisions of Table A (Articles 36-39).

Stock is created from fully paid shares by passing an ordinary resolution in the general meeting.

The Articles of Association of the company must permit this conversion.

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

When shares are issued at a price above the face or nominal value, they are said to be issued at a premium. For example, a share having the face value of Rs.10 is issued at Rs.12. Here, Rs.2 is the premium. The amount of share premium has to be transferred to an account called the 'Securities Premium Account'

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

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

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

The fulfilling formalities to raise necessary capital Adhering to SEBI guidelines in this regard.

Observing guidelines for Disclosure and investor protection issued by SEBI Issuing prospectus.

Appointing official banker of the company for receiving application from the investors.

Fulfilling the condition for valid allotment by director Passing resolution for making allotment by director Despatch allotment letters to allottees.

Filing allotment return with the Registrar

Issuing share certificates in exchange for their allotment letter Ensuring collection of minimum subscription

5. Explain different Kinds of Preference shares.

Cumulative Preference shares: As the word indicates, all dividends are carried forward until specified, and paid out only at the end of the specified period.

Non-cumulative Preference shares: The opposite of cumulative, obviously. Dividends are paid out of profits for every year. There are no arrears carried over a time period to be paid at the end of the term

Redeemable Preference shares: Such preference shares can be claimed after a fixed period or after giving due notice.

Non-Redeemable Preference shares: Such shares cannot be redeemed during the lifetime of the company, but can only be obtained at the time of winding up (liquidation) of assets.

Convertible Preference shares: The shares can be converted into equity shares after a time period or as per the conditions laid down in the terms.

Non-convertible Preference shares: Non-convertible preference shares cannot be, at any time, converted into equity shares.

Participating Preference shares: Such shares have the right to participate in any additional profits, after paying the equity shareholders. The surplus of profit is apart from the fixed dividend paid up for preference shares

Non-Participating Preference shares: Non-participating preference shares do not possess any right to participate in surplus profits or any surplus gained at the time of liquidation of the company.

IV. Long Answer Questions:

1. Write the difference between Debentures and Shares:

S. No	DEBENTURES	SHARES
1.	Debentures constitute a loan.	Shares are part of the capital of a company.
2.	Middle and Lower Level	Top level
3.	Debenture holder gets fixed rate of Interest which carries a priorities over dividend.	Shareholders gets dividends with a varying rate.
4.	Debentures generally have a charge on the assets of the company.	Shares do not carry any such charge.
5.	Debentures can be issued at a discount without restrictions.	Shares cannot be issued at a discount.
6.	The rate of interest is fixed in the case of debentures	Whereas on equity shares, the dividend varies from year to year depending upon the profit of the company and the Board of directors decision to declare dividends or not.
7.	Debenture holders do not have any voting right	Shareholders enjoy voting right.
8.	Interest on debenture is payable even if there are no profits i.e. even out of capital.	Dividend can be paid to shareholders only out of the profits of the company and not otherwise.
9.	Interest paid on debenture is a business expenditure and allowable deduction from profits.	Dividend is not allowable deduction as business expenditure.
10.	Return of allotment is not required for allotment of debentures.	Return of allotment in e-Form No. 2 is to be filed for allotment of shares.

2. Brief different stages in Formation of a Company.

'Formation of a Company' has been divided into four stages:

1. Promotion
2. Registration
3. Capital Subscription and
4. Commencement of Business.

Promoter

Promotion stage begins when the idea to form a company comes in the mind of a person. The person who envisage the idea is called a 'promoter'. Section 2 (69) of the Companies Act, 2013 defines the term 'promoter' as under:-

"Promoter" means a person—

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

(b) who has control over the affairs of the company, directly or indirectly whether as a shareholder, director or otherwise; or

(c) in accordance with whose advice, directions or instructions the Board of Directors of the company is accustomed to act.

Preliminary steps - First stage:

1. Appoint bankers, solicitors, brokers for the company.
2. Prepare the memorandum and the articles of association of the company, get it printed and registered.
3. Find the persons who are ready to sign the memorandum and articles of association.
4. Enter into preliminary contracts with underwriters, suppliers of raw material, plant and machinery etc.

The stage of promotion starts when a promoter conceives the idea to form a company and ends when the company is formed and is handed over to the directors.

Procedural Aspects of Company Formation

Incorporation or Registration – Second stage

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

(a) Application for Availability of Name of company

(b) Preparation of Memorandum and Articles of Association

(c) Declaration from the professional

(d) Preparation of Affidavit from the subscribers to the Memorandum

(e) Furnishing verification of Registered Office

(f) Preparation of particulars of subscribers

(g) Preparation of particulars of first directors along with their consent to act as directors

(h) Power of Attorney

Capital Subscription - Third stage

Both private company and public company not having share capital can commence its business after the completion of the above stages. But a public limited company having its share capital has to pass through two more stages. One of them is capital subscription, steps to be taken at this stage are listed below.

(i) The fulfilling formalities to raise necessary capital

(ii) Adhering to SEBI guidelines in this regard

(iii) Observing guidelines for Disclosure and investor protection issued by SEBI

(iv) Issuing prospectus

(v) Appointing official banker of the company for receiving application from the investors

(vi) Fulfilling the condition for valid allotment by director

(vii) Passing resolution for making allotment by director

(viii) Despatch allotment letters to allottees

(ix) Filing allotment return with the Registrar

(x) Issuing share certificates in exchange for their allotment letter

(xi) Ensuring collection of minimum subscription

Commencement of Business – Fourth stage

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

(i) Every subscriber to the Memorandum has paid the value of shares agreed to be taken by him.

(ii) Paidup capital is not less than Rs.5 lakhs in the case of public limited company and Rs.1 lakh in the case of private limited company.

(iii) It has filed the Registrar the verification of the registered office.

These restrictions in section 11 are applicable to companies having share capital. It can commence business only after fulfilling all the formalities mentioned above and exercise borrowing powers immediately after incorporation.

3. What are the various kinds of Debentures?

Kinds of Debentures

Debentures are generally classified into different categories on the basis of:

(1) Convertibility of the Instrument

(2) Security of the Instrument

(3) Redemption ability

(4) Registration of Instrument

1. On the basis of convertibility, Debentures may be classified into following categories:

(i) Non Convertible Debentures (NCD): These instruments retain the debt character and cannot be converted into equity shares.

(ii) Partly Convertible Debentures (PCD): A part of these instruments are converted into Equity shares in the future at notice of the issuer. The issuer decides the ratio for conversion. This is normally decided at the time of subscription.

(ii) Fully convertible Debentures (FCD): These are fully convertible into Equity shares at the issuer's notice. The ratio of conversion is decided by the issuer. Upon conversion the investors enjoy the same status as ordinary shareholders of the company.

(iii) Optionally Convertible Debentures (OCD): The investor has the option to either convert these debentures into shares at a price decided by the issuer/agreed upon at the time of issue.

2. On the basis of Security, debentures are classified into:

(A) Secured Debentures: These instruments are secured by a charge on the fixed assets of the issuer company. So if the issuer fails on payment of either the principal or interest amount, such fixed assets can be sold to repay the liability to the investors.

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

3. On the basis of Redeemability, debentures are classified into:

(A) Redeemable Debentures: It refers to the debentures which are issued with a condition that the debentures will be redeemed at a fixed date or upon demand, or after notice, or under a system of periodical drawings. Debentures are generally redeemable and on redemption these can be reissued or cancelled.

(B) Perpetual or Irredeemable Debentures: A Debenture, in which no specific time is specified by the companies to pay back the money, is called an irredeemable debenture. The debenture holder cannot demand repayment as long as the company is a going concern. Issuing company has to pay interest periodically. But all debentures, whether redeemable or irredeemable become payable on the company going into liquidation. However, after the commencement of the Companies Act, 2013, now a company cannot issue perpetual or irredeemable debentures.

4. On the basis of Registration, debentures may be classified as

(A) A Registered Debentures: Registered debentures are issued in the name of a particular person, whose name appears on the debenture certificate and who is registered by the company as holder on the Register of debenture holders.

(B) Bearer debentures: Bearer debentures on the other hand, are issued to bearer, and are negotiable instruments, and so transferable by mere delivery like share warrants.

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

Capital Subscription:

Public limited company having its share capital has to pass through two more stages. One of them is capital subscription, steps to be taken at this stage are listed below.

(i) The fulfilling formalities to raise necessary capital

(ii) Adhering to SEBI guidelines in this regard

(iii) Observing guidelines for Disclosure and investor protection issued by SEBI

(iv) Issuing prospectus

(v) Appointing official banker of the company for receiving application from the investors

(vi) Fulfilling the condition for valid allotment by director

(vii) Passing resolution for making allotment by director

(viii) Despatch allotment letters to allottees (ix)Filing allotment return with the Registrar

(x) Issuing share certificates in exchange for their allotment letter (xi)Ensuring collection of minimum subscription

Commencement of Business :

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

(i) Every subscriber to the Memorandum has paid the value of shares agreed to be taken by him.

(ii) Every subscriber to the Memorandum has paid the value of shares agreed to be taken by him.

Paidup capital is not less than Rs.5 lakhs in the case of public limited company and Rs.1 lakh in the case of private limited company.Paidup capital is not less than Rs.5 lakhs in the case of public limited company and Rs.1 lakh in the case of private limited company.

These restrictions in section 11 are applicable to companies having share capital. It can commence business only after fulfilling all the formalities mentioned above and exercise borrowing powers immediately after incorporation.

5. Write the difference between Share Certificate and Share Warrant

Share Certificate:

A share certificate is an instrument in writing, that is a legal proof of the ownership of the number of shares stated in it. Every company, limited by shares, whether it is public or private must issue the share certificate to its shareholders except in case, where shares are held in dematerialization system.

According to Section 45 of the Companies Act, 2013 each share of the share capital of the company shall be distinguished with a distinct number for its individual identification.

However, such distinction shall not be required, if the shares are held by a person whose name is entered as holder of beneficial interest as per the records of a company.

The share certificate contains the following details in it, they are:

(i) Company name

(ii) Date of issue

(iii) Details of the member

(iv) Shares held

(v) Nominal value

(vi) Paid up value

(vii) Definite number

The share certificate is issued by the company within three months of the allotment of shares to the applicants, which is issued under the common seal of the company.

Normally, the holder of the share certificate is regarded as the member of the company.

Share Warrant

A share warrant is a negotiable instrument, issued by the public limited company only against fully paid up shares. It is also termed as a document of title because the holder of the share warrant is entitled to the number of shares mentioned in it. There is no compulsion of the issue of share warrants by the company.

Although if the public company wants to issue share warrants, then prior approval of the Central Government (CG) is required. Further the issue of a share warrant must be authorized in the articles of association of the company.

The holder of the share warrant can take a share certificate only if holder surrenders the share warrant and pays the required fee for the issue of share certificate.

Thereafter, the company will cancel the warrant and issue a new share certificate to him as well as the company will enter his name as the member of the company in the register of members, after which he will become a member of the company.

Generally, the holder of the share warrant is not the member of the company, but if the articles of association of the company provide it, then the bearer is deemed to be the member of the company

UNIT 10

COMPANY LAW AND SECRETARIAL PRACTICE

27 CHAPTER

COMPANY MANAGEMENT

CHAPTER SYNOPSIS

INTRODUCTION, MEANING AND DEFINITION OF DIRECTOR
KEY – MANAGERIAL PERSONNEL OF A COMPANY
BOARD OF DIRECTORS
TYPES OF DIRECTORS AS PER COMPANIES ACT 2013
NUMBER OF DIRECTORS
LEGAL POSITION OF DIRECTOR
APPOINTMENT OF DIRECTOR
QUALIFICATION OF DIRECTOR
DISQUALIFICATION OF DIRECTOR
REMOVAL OF DIRECTOR
REMUNERATION OF DIRECTOR
POWER OF DIRECTOR
RIGHTS OF DIRECTOR
DUTIES OF DIRECTOR
LIABILITIES OF DIRECTOR
DIRECTORIAL REGISTER
MANAGER VS. DIRECTOR
MANAGING DIRECTOR VS. WHOLE TIME DIRECTOR

I. Choose the Correct Answer:

1. A person Shall hold office as a director in companies as per the Companies Act, 2013.

(a) 5 companies (b) 10 companies
(c) 20 companies (d) 15 companies

Ans: (c) 20 companies

2. Which Director is appointed by a Financial institution.

(a) Nominee (b) Additional
(c) Women (d) Shadow

Ans: (a) Nominee

3. A Private Company shall have a minimum of.................

(a) Seven directors (b) Five directors
(c) Three directors (d) Two directors

Ans: (d) Two directors

4. A Public Company shall have a minimum of Directors.

(a) Twelve (b) Seven
(c) Three (d) Two

Ans : (c) Three

5. A Public Company having a paid up Share Capital of Rs. ....or more may have a

Director, elected by such small shareholders.

(a) One (b) Three

(c) Five (d) Seven

Ans: (c) Five

6. Under the companies Act, which one of the following powers can be exercised by the Board of Directors?

(a) Power to sell the company's undertakings.

(b) Power to make call.

(c) Power to borrow money in excess of the paid up capital.

(d) Power to reappoint an auditor.

Ans: (b) Power to make call.

7. Which director need not hold qualifying shares.

(a) Directors appointed to Central Government

(b) Directors appointed to Shareholders.

(c) Directors appointed to Managing Director

(d) Directors appointed to Board of Directors

Ans: (a) Directors appointed to Central Government

8. What is the statue of Directors who regulate money of the company.

(a) Banker (b) Holder

(c) Agent (d) Trustees

Ans: (d) Trustees

9. According to Companies Act, the Directors must be appointed by the.

(a) Central Government

(b) Company Law Tribunal

(c) Company in General Meeting

(d) Board of Directors.

Ans: (c) Company in General Meeting

10. The Board of Directors can exercise the power to appoint directors in the case of.

(a) Additional Directors

(b) Filling up the Casual vacancy

(c) Alternate Directors

(d) All the above.

Ans : (d) All the above.

II. Very Short Answer Questions:

1. Define Director.

The Companies Act 2013 section 2 (34) defines a director appointed to the board of a Company is

"A Person who is appointed or elected member of the Board of Directors of a company and has the responsibility of determining and implementing policies along with others in the board. It is not necessary to, hold any shares in the company or be an employee. Directors act on the basis of resolutions made in the Board of Directors meeting according to their powers stated in the Articles of Association of the company."

2. Name the companies required to appoint KMP.

Requirement to appoint KMP.- Every listed company

- Every public company

(Having paid up share capital of 10 crores or more)

3. Who is whole time Director?

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

4. Who is called as Managing Director?

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

5. Who can be Executive Director?

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

III. Short Answer Questions:

1. Differentiate Executive and Non-Executive Directors.

An Executive Director can be either a whole-time Director of the Company or a

Managing Director. But a Non- Executive Director is a Director who is neither a Whole-time Director nor a Managing Director.

2When are alternative directors appointed?

Alternate director is appointed by the Board of Directors, as a substitute to a director who may be absent from India, for a period which is not less than three months.

3. Who is a shadow director?

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

4. What is causal Vacancy?

It means a vacancy caused due to death, disqualification and resignation of an auditor. Act gives power to the board of directors to appoint during a case of casual vacancy of a public company.

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

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

b) **Private company:**

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

IV. Long Answer Questions:

1. Who are the KMP?

(i) the Chief Executive Officer

(ii) the Managing Director or the Manager;

(iii) the Company Secretary;

(iv) the Whole-time Director;

(v) the Chief Financial Officer; and

(vi) such other officer as may be prescribed;

2. Explain composition of the board of directors.

a) General Optimum Combination:

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

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

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

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

In this case, at least one half of the board of directors of the company shall consist of Independent Directors (ID).

A director is appointed to the Board of a Company. Such Directors have a different role to play to attain the goal of the company. According to their role they are differently classified in accordance with the provision of the Companies Act 2013.

3. Brief different types of Directors.

1. **Residential Director:** – According to Section 149(3) of Companies Act 2013, Every company should appoint a director who has stayed in India for a total Period of not less than 182 days in the previous calendar year.

2. **Independent Director:** According to Section 149(6) an independent director is an alternate director other than a Managing Director who is known as Whole Time Director Or Nominee Director. The following type of companies has to appoint minimum Two independent directors:-

a) Public Companies which have Paid-up Share Capital- [1] 10 Crores or More; –

b) Public Companies which have Turnover- [1] 100 Crores or More:-

c) Public Companies which have total outstanding loans, debenture, and deposits of [1] 50 Crores or More.

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

4. Nominee Director: "A director nominated by any financial Institution in pursuance of the provisions of any law for the time being in force, or of any agreement, or appointed by any Government , or any other person to represent its interests".

From the above,

a) should be nominated by any financial Institution in pursuance of any law or in terms of an agreement entered into by the company

b) could be appointed by the Government or by any other person.

c) The person so appointed shall represent the interests of the organization /Institution which he represents.

4. Women Director: As per Section 149 (1) (a), there are certain categories according to which there should be at least one woman as a director on the Board. The following class of companies shall appoint at least one woman director

(i) every listed company;

(ii) every other public company having:

(a) paid–up share capital of one hundred crore rupees or more; or

(b) turnover of three hundred crore rupees or more.

5. Additional Directors: Any Individual can be appointed as Additional Directors by a company.

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

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

3. State the qualification of Directors.

Companies Act, 2013.

In general, a director shall possess appropriate skills, experience and knowledge in one or more fields of finance, law, management, sales, marketing, administration, research, corporate governance, technical operations or other disciplines related to the company's business.

1. A director must be a person of sound mind.
2. A director must hold share qualification, if the article of association provides such.
3. A director must be an individual.
4. A director should be a solvent person.
5. A director should not be convicted by the Court for any offence, etc.

4. List the disqualification of a directors.

Section 164 of Companies Act, 2013, has mentioned the disqualification as mentioned below:

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

(a) Of unsound mind

(b) An undercharged insolvent;

(c) Has been convicted by a court for any offence involving moral turpitude and sentenced in respect thereof to imprisonment for not less than six months

(d) Has not paid any call in respect of shares of the company held by him, whether alone or jointly with others.

(e) An order disqualifying him for appointment as director has been passed by a court in pursuance of section 203

(f) He has been convicted of the offence dealing with related party transactions under section 188.

(g) He has not got the Director Identification Number.

5. Explain how director of a company can be removed from the office.

a) Removal by shareholders 169

A company (whether public or private) may, by giving a special notice and passing an ordinary resolution, remove a director before the expiry of his period of office without the proof of mismanagement, breach of trust,misfeasance or other misconduct on the part of the director. If the shareholders feel that the policies pursued by the director are not appropriate, then director can be removed. The shareholders can do so by passing an ordinary resolution in a general meeting.

b) Removal by the Central Government

The Central Government has been empowered to remove managerial personnel from office on the recommendation of the Company Law Board under the following circumstances.

(i) Where a person concerned in the conduct and management of the affairs of a company has been guilty of fraud, misfeasance, persistent negligence in carrying out his obligations.

(ii) Where the business of a company has not been conducted and managed by such a person, in accordance with sound business principles or prudent commercial practices;

(iii) Where the business of a company has been conducted and managed by such a person in a manner which is likely to cause injury or damage to the interest of the trade, industry or business.

(iv) Where the business of the company has been conducted and managed by such a person with the intent to defraud its creditors, members or any other persons.

c) Removal by the Company Law Board

If an application has been made to the Company Law Board against the oppression and mismanagement of the company's affairs by a director, then the Company Law Board may order for the termination of the director's tenure or set aside any agreement that has been entered into between the company and the director. Such order can effect the removal of the director from his office

6. What is the maximum limit for the Managerial remuneration?

Maximum Remuneration Payable by a Company to its Managerial Personnel

Remuneration Payable by a company in case where is no profit or inadequacy of profit without Central Government and to pay remuneration in excess of the above limit is detailed below:

Where Effective Capital is	Limit of yearly Remuneration payable shall not exceed (Rupees)
(i) Negative or less than ₹5 Crore	₹30 lakh
(ii) ₹5 Crore and above but less than ₹100 Crore	₹42 lakh
(iii) ₹100 Crores and above but less than ₹250 Crore	₹60 lakh
(iv) ₹250 Crore and above	₹60 lakh plus 9.91% of the effective capital in excess of ₹250 Crore.

7 What are the duties of a directors?

Collective Duties of Directors: Directors as a part of Board perform certain duties collectively. The following are some of those duties exercised collectively:-

(i) Approval of annual accounts and authentication of annual accounts

(ii) Directors report to shareholders highlighting performance of the company, transfers to reserves, investment of surplus funds, borrowings

(iii) Appointment of First Auditors

(iv) Issuance of Notice and Holding of Board meetings and shareholders meetings

(v) Passing of resolutions at board meetings or by circulation.

General duties of Directors:

(i) Structuring or new policy to reach the objectives of a company.

(ii) Delegating power to any committee if the Articles Permits for well being of the company

(iii) Issuing instructions to employees for implementation of policy to review company's progress.

(iv) Appointing their subordinates like Managing director, Manager, Secretary and other employees.

(v) Acting in accordance with the Articles of the company

(vi) Act in Good faith in order to promote the objects of the company

(vii) Perform duties with due and reasonable care and diligence.

Specific Duties of Directors

(i) Duty to disclose his name, address and occupation

(ii) Duty to disclose his shareholding and interest in Contracts of the company.

(iii) Duty to hold minimum qualification shares within two months after his appointment.

(iv) Duty to issue prospectus and fix the minimum subscription.

(v) Duty to take care that prospectus should not contain any false or misleading statement.

(vi) Duty to confirm the required disclosure in the prospectus as required by the Act.

(vii) Duty to sign in the prospectus before submitting it to the Registrar of Companies

(viii) Duty to deposit application money in a scheduled Bank and its utilisation in accordance with the specification given in the Act.

(ix) Duty to file Return of Allotment of Securities with the Registrar.

(x) Duty to arrange for making payment of Dividend declared.

(xi) Duty to forfeit and transfer shares.

(xii) Duty to file all the reports and resolutions as required by the Act with the Registrar of Companies.

(xiii) Duty to carry out all other activities as specified in the Act in time.

(xiv) Duty to call on an Extraordinary General Body Meeting, if necessary.

(xv) Duty to call statutory and annual general meeting of the company.

8. State the powers of the directors.

The power of the Directors grouped into four different heads viz.,

(i) Statutory Powers of Directors

(ii) Managerial Powers of Directors

(iii) Powers only with a resolution

(iv) Other Powers

Statutory Powers of Directors

In the General Body Meeting of the Company the following powers must be exercised by the Board of Directors by passing a resolution.

(i) Power to make calls on shareholders in respect of money unpaid on their shares

(ii) Power to issue debentures

(iii) Power to borrow moneys otherwise than on debentures

(iv) Power to invest the funds of the company

(v) Power to make loans

(vi) Power to diversify the company business

(vii) Power to approve amalgamation, Merger or reconstruction

(viii) Power to approve Financial Statement and Board reports.

Managerial Powers of Directors

(i) Power to contract with the third party.

(ii) Power to allot, forfeit or transfer shares of company

(iii) Power to decide the terms and conditions to issue debentures.

(iv) Power to frame new policies and to issue instructions for the efficient running of the business.

(v) power to appoint Managing Director, Manager, Secretary of the company.

(vi) power of Control and supervision of work of subordinates.

Powers only with a resolution

(i) To sell or lease any asset of the company

(ii) To allow time to the director for repayment of the loan

(iii) To borrow money in excess of paid up Capital and free reserves

(iv) To appoint a sole agent for more than 5 years.

(v) To issue bonus shares and for reorganization of share capital

(vi) To contribute money for charitable purposes exceeding ¹ 50,000 or 5% of the average profits of 3 years whichever is greater.

Other Powers

(i) Power to fill casual vacancy

(ii) Power to appoint the first auditor of the company

(iii) Power to appoint alternative directors, additional directors and Key managerial personnel.

(iv) Power to remove Key managerial personnel

(v) Power to recommend the Interim and final dividend to shareholders.

(vi) Power to declare solvency position of the company.

(vii) Power to make political contribution

9. State the Criminal liabilities of Directors.

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

(i) There is mis-statement in Prospectus

(ii) There is failure to file return on allotment with the registrar

(iii) There is failure to give notice to the registrar for conversion of share into stock

(iv) There is failue to issue share Certificate and Debenture certificate

(v) There is failure to maintain register of the members and register of debenture holders

(iv) There is default in holding Annual General Meeting

(vii) There is failure to provide Financial Statements

UNIT 10

COMPANY LAW AND SECRETARIAL PRACTICE

28 CHAPTER

COMPANY SECRETARY

CHAPTER SYNOPSIS

I. Choose the Correct Answer:

1. Mention the status of a Company Secretary in a company.

a) A member
b) A director
c) An independent
d) An employee contractor

Ans: d) An employee contractor

2. Who can become a secretary for a company?

a) Individual person
b) Partnership firm
c) Co-operative societies
d) Trade unions

Ans: a) Individual person

3. Which meeting will be held only once in the life time of the company?

a) Statutory b) Annual General
c) Extra - ordinary d) Class General

Ans: a) Statutory

4. Board Meetings to be conducted minimum times in a year.

a) 2 b) 3 c) 4 d) 5

Ans: c) 4

5. Who is not entitled to speak at the annual general meeting of the company.

a) Auditor b) Shareholder
c) Proxy d) Directors

Ans: c) Proxy

6. Mention the company which need not convene the Statutory Meeting.

a) Widely held public
b) Private Limited
c) Public Limited
d) Guarantee having a share capital

Ans: b) Private Limited

7. From the date of its incorporation the First Annual General Meeting is to be conducted within_..............._months.

(a) Twelve (b) Fifteen

(c) Eighteen (d) Twenty one

Ans: (b) Fifteen

8. What percentage of shareholders is needed to pass special resolution?

a) It must be unanimous

b) Not less than 90%.

c) Not less than 75%.

d) More than 50%.

Ans: c) Not less than 75%.

9. A special resolution must be filed with the Registrar within

a) 7 days b) 14 days

c) 30 days d) 60 days

Ans: c) 30 days

10. A special resolution is required to

a) redeem the debentures

b) declare dividend

c) appoint directors

d) appoint auditor

Ans: d) appoint auditor

II. Very Short Answer Questions:

1. Who is a Secretary?

The word secretary has originated in Latin. The Latin word 'Secretarius' which means secret. As we know secret refers to something, which is not disclosed and kept as confidential.

Some Information should be kept very confidential in all the companies.

Hence, a person is appointed to perform activities which are confidential in nature and manage the day- to-day business of the company.

The person who steers the company holding the administrative, financial, and overall performance of the company is called company secretary.

2. Define Meeting?

A company meeting must be convened and held in perfect compliance with the various provisions of the Act and the rules framed there under.It is essential that the business dealt with at the meetings, should be validly transacted and not liable to be questioned later due to any irregularity.

3. What is Resolution?

As per the Companies Act 2013, for taking any decision or executing any transaction, the consent of the shareholders, the Board of Directors and other specified is required.

The decisions taken at a meeting are called resolutions. In other words a motion, with or without the amendments which is put to vote at a meeting and passed with the required quorum becomes resolution.

4. Write short note on 'Proxy'?

Proxy means a person being the representative of a shareholder at the meeting of the company who may be described as his agent to carry out which the shareholder has himself decided upon. Proxy can be present at the meeting and he cannot vote.

5. What is Vote?

The word 'Vote' originated in Latin word 'Votum' indicating one's wishes or desire.

By casting his vote one formally declaring his opinion or wish in favour of or against a proposal or a candidate to be elected for an office.

The proposals passed across the table of any company depend mainly on the votes cast by the board of directors.

Every motion or proposal is subject to the approval of the majority of the members or shareholders can cast their votes only on the occasions in which they want establish their rights according to the section 47 of the company Act, 2013.

III. Short Answer Questions:

1. What is Special Resolution?

A special resolution is the one which is passed by a not less than 75% of majority.

The number of votes, cast in favour of the resolution should be three times the number of votes cast against it.

The intention of proposing a resolution as a special resolution must be specifically mentioned in the notice of the general meeting.

2. What do you mean by Statutory Meeting?

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

This is the first general meeting of the public company is called the Statutory Meeting.

This meeting is conducted only once in the lifetime of the company.

A private company or a public company having no share capital need not conduct a statutory meeting.

The company gives the circular to shareholders before 21 days of the meeting.

3. What do you understand by 'Poll'?

Poll: Poll means tendering or offering vote by ballot to a specially appointed officer, called the polling officer.

Under the Companies Act, poll means exercising voting right in proportion to shareholder's contribution to the paid- up capital of a limited company having a share capital.

4. Give any three cases in which an ordinary resolution need to be passed.

Ordinary Resolution is required for the following Matters

(i) To change or rectify the name of the company

(ii) To alter the share capital of the company

(iii) To redeem the debentures

(iv) To declare the dividends

(v) To approve annual accounts and balance sheet

(vi) To appoint the directors

5. What resolution is requires special notice?

c) Resolution requiring Special Notice:

There are certain matters specified in the Companies Act, 2013 which may be discussed at a general meeting only if a special notice is given at least 14 days before the meeting.The intention to propose any resolution must be notified to the company.

The following matters require special notice before they are discussed in the meeting:-

(i) To appoint an auditor, a person other than a retiring auditor

(ii) To provide expressly that a retiring Auditor shall not be reappointed

(iii) To remove a director before the expiry of his period of office

(iv) To appoint a director in the place of a director so removed

IV. Long Answer Questions:

1. Elaborate the functions of the Company Secretary

Functions/ Duties of Company Secretary

Functions of the Company Secretary may be discussed under two headings:

(i) Statutory Functions or Duties and

(ii) Non-statutory Functions or Duties

Statutory Functions As the principal officer of the company, the secretary must observe all the legal formalities in respect of the provisions of the Companies Act and other laws (e.g., Income-tax Act, Stamp Act, Sales-tax Acts, etc.) which have a bearing on the activities of the company.

According to Companies Act 2013

(i) To sign document and proceedings requiring authentication by the company

(ii) To maintaining share registers and register of Directors and of contracts

(iii) To give notice to register for increase in the share capital

(iv) To deliver share certificate of allotment within 2 months after transfer

(v) To sign and send annual return

(vi) To make a statutory declaration for receiving certificate of commencement of business

(vii) To send notice of general meeting to every member of the company

(viii) To make statutory books

(ix) To prepare minutes of every general meeting and board meeting within 30 days

(x) To file a resolution with the registrar

(xi) To assist in preparing the statement of affairs in a winding up

Under the Income-tax Act: He is responsible for deduction of requisite income tax from salaries of employees, dividends and interests payable.

He has to ensure that the tax deducted is deposited at government treasury.

Secretary has to submit and verify various forms for timely filing of income tax returns to the authorities in ac cordance with the law.

He has to see that the certificate of Tax Deducted at Source (TDS) is issued to every employees and shareholders.

Under Indian Stamp Act: The company secretary has to ensure that whether proper stamps are affixed on the company's documents like letter of allotment and share certificate or not.

He is also complying with Minimum Wages Act, Industrial Disputes Act, Employee State Insurance Act etc.

Under the Sales-Tax Act: He must ensure timely submission of tax returns to the Sales-tax authorities and payment of tax.

Under Other Acts: He must see that the provisions of any other Act applicable to the company, e.g., Foreign Exchange Regulation Act, Industries (Development and Regulation) Act, and Rules, are also complied with.

Where the company is carrying on manufacturing business, he must also comply with the provisions of the Factories Act, Payment of labour laws. Wages Act, Industrial Disputes Act and other.

Non-Statutory Functions

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

(1) Functions as agent of directors;

(2) Functions towards shareholders;

(3) Functions towards office and staff.

1. Functions in Relation to Directors

A company secretary acts under the full control of the board of directors and carry out the instructions of the directors.

The secretary provides necessary advice and information to the board to formulate company policy and arrive at decisions.

It is the secretary's duty to implement the decisions taken by the board of directors.

The duties of the secretary includes arranging board meetings, issuing notice and preparing agenda of such meetings, recording the attendance of the directors and the minutes and resolutions of the meeting in consultation with the Chairman.

He maintains all important correspondence, files, documents and records in the board office.

2. Functions in Relation to Shareholders

The company secretary must serve in the best interests of the shareholders. He also must safeguard the shareholders' interest.Under the Companies Act 2013, secretary should act as link between the board of directors and the shareholders and also ensure that the shareholder's rights are violated.

He has to arrange the issue allotment letters, call letters, letters of regret, share certificates, share warrants to Shareholders. Besides he has to issue notices and agenda of all meeting of shareholders and also send replies to the inquiries and complaints of the shareholders on behalf of the board of directors.

3. Functions in Relation to Office and Staff

The Secretary is the kingpin of the whole corporate machinery. He is responsible for smooth functioning of the office work.

He exercises an overall supervision, control andco-ordination of all clerical activities in the office.

4. Discuss the liabilities of Company Secretary.

1. Register all files and documents of the company.
2. Arrange statutory meeting and preparing statutory report and submit it to the Registrar of joint stock company in due time.
3. Arrange annual general meeting in due time.
4. Sending notice of the meeting to the participant.
5. Writing minutes of various meetings and maintaining minute books.
6. Supplying relevant copy of minutes to the shareholders.
7. Submitting/financial statements of the Company to the Registrar of Joint Stock Company.
8. Issuing share certificates, dividend warrant and bonus share certificates to the shareholders.
9. Deducting income tax from the employee salary and pay dividend to the shareholders.
10. Appointing company auditor and arranging audit of books of account of the company.

II. Contractual liabilities:

1. Abide by all terms and conditions of service contract.
2. Follow the order instructions and act as per authorization of the board of directors.
3. Maintain secrecy of the company affairs.
4. Perform duties with due care and skills.
5. Never act beyond his authority and not to make any secret profit through any illegal activity.

5. Briefly state different types of company meetings. Company Meetings

A company meeting must be convened and held in perfect compliance with the various provisions of the Act and the rules framed thereunder.

It is essential that the businessdealt with at the meetings, should be validly transacted and not liable to be questioned later due to any irregularity.

Kinds of Company Meetings

Under the Companies Act, 2013, Company meetings can be classified as under:

1. Meetings of Shareholders:

(a) Statutory Meeting

(b) Annual General Meetings (AGM)

(c) Extraordinary General Meetings (EGM)

2. Meetings of the Directors

(a) Board meetings

(b) Committees meetings

3. Special Meetings

(a) Class Meetings.

(b) Creditors and of Debenture/bond holders meetings

The following picture shows the different types of company meetings

Shareholders Meetings

The meeting held with the shareholders of the company is called shareholders meeting. The shareholders meeting can be classified as statutory meeting, annual general meeting and extra ordinary general meeting.

Statutory Meeting

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

This is the first general meeting of the public company is called the Statutory Meeting. This meeting is conducted only once in the lifetime of the company.

A private company or a public company having no share capital need not conduct a statutory meeting. The company gives the circular to shareholders before 21 days of the meeting.

b) Annual General Meeting [AGM]

Every year a meeting is held to transact the ordinary business of the company.

Such meeting is called Annual General Meeting of the company (AGM). Company is bound to invite the first general meeting within eighteen months from the date of its registration.

Then the general meeting will be held once in every year. The differences between two general meetings should not be more than fifteen months.

Every Annual General meeting shall be held during business hours, on a day which is not a public holiday, at the Registered Office of the company or at some other place within the town or village where the Registered Office is situated.

AGM should be conducted by both private and public Ltd companies.

c) Extra-Ordinary General Meeting

Both Statutory meeting and annual general meetings are called as ordinary meetings of a company.

All other general meetings other than statutory and annual general meetings are called extraordinary general meetings.

If any meeting conducted in between two annual general meeting to deal with some urgent or special or extraordinary nature of business is called as extra-ordinary general meetings.

Meeting of the Board of Directors

Since the administration of the company lies in the hands of the board of directors, they should meet frequently for the proper conduct of the business and to decide policy matters of the company.

a) Board Meetings

Meetings of directors are called Board Meetings. Meetings of the directors provide a platform to discuss the business and take formal decisions.

First meeting of directors should be convened within 30 (Thirty) days from the date of incorporation of the company.

b) Committee Meetings

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

In case of other companies, the board of directors shall nominate a director to play the role of audit committee which is functioningas a vigil mechanism.

Special Meeting

a) Class Meeting (Meetings of Particular Share or Debenture Holders)

Meetings, which are held by a particular class of share or debenture holders e.g. preference shareholders or debenture holders is known as class meeting.

The debenture holders of a particular class conduct these meetings.

These meetings are held according to the rules and regulations laid by the Trust Deed or Debenture Bond, from time to time, where the interests of the debenture holders play vital role at the time of re-organisation, reconstruction, amalgamation or winding-up of the company.

b) Meetings of the Creditors

Strictly speaking, these are not meetings of a company. Unlike the meetings of a company, there arise situation in which a company may wish to arrive at a consensuses with the creditors to avoid any crisis or to evolve compromise or to introduce any new proposals.

6. Describe the different types of resolutions which company may pass with

suitable matters required for each type of resolution.

Kinds of Resolution

There are broadly three types of resolutions, namely ordinary resolution, special resolution and resolution requiring special notice.

a) Ordinary Resolution:

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

Ordinary Resolution is required for the following Matters

(i) To change or rectify the name of the company

(ii) To alter the share capital of the company

(iii) To redeem the debentures

(iv) To declare the dividends

(v) To approve annual accounts and balance sheet

(vi) To appoint the directors

(vii) To increase or decrease the number of directors within the limits prescribed

(viii) To remove a director and appoint another director in his place

(ix) To make inter corporateinvestment, within the limits

(x) To approve voluntary winding up if the articles authorise

(xi) To fill up the vacancy in the office of liquidator, etc.,

b) Special Resolution

A special resolution is the one which is passed by a not less than 75% of majority.

The number of votes, cast in favour of the resolution should be three times the number of votes cast against it.

The intention of proposing a resolution as a special resolution must be specifically mentioned in the notice of the general meeting.

Special Resolution is required for the following Matters

(i) To change the registered office of the company from one state to another

(ii) To change the objectives of the company

(iii) To change the name of the company

(iv) To alter the Articles of Association

(v) To reduce the share capital subject to the confirmation of the court

(vi) To commence any new business

(vii) To appoint the auditor for the company

(viii) To appoint the sole selling agents in specified cases

(ix) To determine the remuneration of the Director and the Managing Director

c) Resolution requiring Special Notice:

There are certain matters specified in the Companies Act, 2013 which may be discussed at a general meeting only if a special notice is given at least 14 days before the meeting.

The intention to propose any resolution must be notified to the company. The following matters require special notice before they are discussed in the meeting:-

(i) To appoint an auditor, a person other than a retiring auditor

(ii) To provide expressly that a retiring Auditor shall not be reappointed

(iii) To remove a director before the expiry of his period of office (iv) To appoint a director in the place of a director so removed

7. Explain different types of open and secret types of voting.

Procedures of Voting

There are two distinct procedures of voting viz., Open and Secret procedures.

I. Open Procedure This type of voting has no secrecy as the all the members assembled can see voting. There are two popular methods of open voting namely voice voting and voting by show of hands.

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

Chairman announces the result of voice voting on the basis of strength of words shouted. It is an unscienfic method. It cannot be employed for deciding complex issue.

(b) By Show of Hands: Under this method the chairman, requests the members to raise their hands of those who are in favour of the proposal or candidate and then requests those are against.

Then the chairman counts the number of hands raised for Yes and No respectively can announce the result on the basis of hands counted.

II. Secret Procedure Secret procedure is adopted to decide certain vital issues. It is a popular voting method that could maintain the secrecy of the voter.

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

The chairman opens the ballot box in the presence of tellers or scrutinizers and counts the votes. He rejects the defective or wrongly marked ballot papers. The votes are counted and the results are announced.

b) Postal Ballot: Big companies or big associations having members scattered all over the country follow this method of voting.

Under this method serially numbered ballot papers are sent by post in sealed covers to the members,who, living at a distant place, are unable to attend the meeting physically.

The members or voters fill in the ballot papers and return them in sealed covers which are opened when the ballot box is opened for counting the votes.

PLUS TWO COMMERCE BOOK INSIDE QUESTIONS

1. Principles of Management

1. Concept of Management
2. Definition of Management
3. Henry Fayol definition of Management
4. Peter F Sticker Definition of Management
5. Management is an art or Science
6. Management process or steps
7. Management and administration Difference
8. Principles of scientific management
9. Principles of modern management
10. Henry Fayol 14 principles of management
11. What is span of management

2. Functions of Management

1. Functions of Management

3. MBO and MBE

1. Meaning and definition of MBO
2. Objectives of MBO
3. Features of MBO
4. Process of MBO
5. Advantages and Disadvantages of MBO
6. Meaning of MBE
7. Process of MBE
8. Advantages and Disadvantages of MBE

4. Financial Markets

1. Meaning of FM
2. Definition of FM
3. Scope of Indian FM
4. Types of FM
5. Role of FM
6. Indian Financial System
7. Functions of FM
8. New issue Market vs Secondary Mkt

5. CAPITAL MARKET

1. Meaning of capital market
2. Defn of cm
3. Characteristics of cm
4. Kinds of cm
5. Functions and importance of cm

6. Indian capital market evolution and growth
7. New financial institutions
8. Otcei
9. Nsei\
10. Foreign exchange market
11. Commodity mkt

6. MONEY MARKET

1. Meaning of mm
2. Defn of mm
3. Objectives of mm
4. Characteristics of mm
5. Diff money mkt vs capital mkt
6. Participants in mm
7. Mm instruments
8. Treasury bills
9. General Features of TB
10. Types of TB
11. Certificate of Deposits meaning
12. Features of certificate of Deposit
13. Commercial bills
14. Features of Commercial bills
15. Types of CB
16. What is Gilt-edged securities mkt
17. Characteristics of market

7. Stock Exchange

1. Stock exchange - origin, meaning, definition
2. Functions of SE
3. Features of SE
4. Benefits and Limitations of SE
5. SE's in India
6. Names of SE's of India
7. Top 10's SE in the world?
8. Types of speculators
9. Bull
10. Bear
11. Stag
12. Lame Duck
13. SE Vs Commodity exchange- diff.
14. Recent development in SE
15. National stock mkt system (NSMS)

16. National stock exchange NSE
17. Nifty
18. Sensex
19. Stock Trading timings in India.
20. Future market
21. Options mkt
22. Leverage and Holding
23. Dalal street
24. Lombard street
25. Wall street

8. SEBI

1. What is mean by SEBI
2. Organisation structure of SEBI
3. Mutual funds
4. Objectives of SEBI
5. Functions of SEBI
6. Powers of SEBI
7. Dematerialisation DEMAT
8. Benefits of DEMAT
9. What is DEMAT Account
10. How to open DEMAT Account

9. HRM

1. Meaning of HR
2. Defn of HR
3. Characteristics of HR
4. Significance of HR
5. Meaning and Defn of HRM
6. Features of HRM
7. Significance of HRM
8. Functions of HRM

10. Recruitment

1. Meaning and Defn of a Recruitment
2. Recruitment process
3. What are the sources of Recruitment
4. Recruitment trends in Recruitment
5. Recruitment process outsourcing

11. Selection

1. Meaning, Defn of Selection
3. Steps in Employee selection process
4. Selection Test

5. Formula IQ
6. What is mean by interview
7. Difference Recruitment and selection
8. Factors influencing selection process
10. Importance of selection
11. Placement meaning and Defn
12. Significance of placement
13. Principles of placement

12. Training

1. What is mean by Training
2. Defn of Training
3. Purpose of training or need for training
4. Steps in designing a training programme
5. Training methods/ types
6. Diff. between on the job training and off the job training
7. Benefits of training
8. PMKVY

13.Marketing and Marketer

1. Meaning and Defn of mkt
2. Need for mkt
3. Classification of mkts
4. Meaning and Defn of mktr
5. What can be mkted
6. Role if mktr
7. Functions of mktr

14. Mkting and Mkting mix

1. What is mean by Mkting
2. Evolution of Mkting
3. Mkting concepts
4. Defn of Mkting
5. Objectives of Mkting
6. Importance of Mkting
7. Functions of Mkting
8. Defn and Meaning if Mkting mix
9. Elements of Mkting mix
10. Kinds of Advertising
11. Mkting mix matrix
12. Modern Mkting mix

15. Recent trends in Mkting

1. Recent trends in Mkting
2. E-commerce
3. E business
4. E-commerce Vs E business
5. E-Marketing
6. E Marketing Defn
7. Objectives of E marketing
8. Adv and Dis adv of E Marketing
9. Diff. E Market Vs Traditional mkt
10. E Tailing
11. Green Mkting
12. Social Mkting
13. Rural Mkting
14. Service Mkting
15. Commodity exchange
16. Niche Mkting
17. Viral marketing
18. Ambush Mkting
19. Guerrilla marketing
20. Multilevel marketing
21. Referral Mkting
22. Content Mkting
23. Major Etailers in India

16. Consumerism

1. Who is consumer
2. Indian consumer protection act 1986
3. Consumer exploitation
4. Consumerism and need for consumerism
5. Concept of Consumerism
6. Significance of Consumerism
7. Importance of Consumerism
8. Origin, Evolution and Growth of Consumerism
9. What is consumer protection
10. Need for consumer protection

11 Role of business of consumer protection

12. Consumer Exploitation
13. The consumer protection act 1986 COPRA
14. Salient features of COPRA

15. Importance of consumer protection act 1986.
16. What is caveat emptor
19. What are the functions of the consumers clubs in schools?

17. Consumer protection

1. Rights of consumer
2. John Kennedy's view on consumer rights
3. Duties of consumers
4. Responsibilities of consumer

18. Grievance redressal mechanism

1. Mahathma Gandhi said about the customer
2. Grievance redressal mechanism
3. Consumer councils
4. Three tier counts or Quasi Judiciary
5. District Forum
6. NCDRC- Do u know
7. State consumer disputes redressal commission or state commission Members Powers
8. NCRDC or National commission members
9. Voluntary organisations for consumer awareness
10. Objectives of consumer awareness
11. Steps involved in filling complaint in consumer court
12. Who can make complaint
13. When the complaints can be made
14. Relief to the consumers
15. What is the appeal provision
16. How to register the complaints
17. Students consumer cliub - For future learning
18. Do u know - IOCU

19. Environment

1. Meaning and Defn of business environment
2. Types of BE
3. Micro Environment factors
4. Macro environment factors
5. Future environment of VUCA
6. What is corporate governance
7. P.no.177 EM Kumara mangalam committee
8. What is GST and services tax

20. Liberalisation, Privatisation and Globalization LPG

1. Dimensions of New Economic policy
2. Meaning and Forms of Liberalisation

3. Adv and Disadv of Liberalisation
4. Impact of Liberalisation
5. Reforms taken during liberalisation
6. Meaning and Forms of privatisation
7. Adv and Disadv of Privatisation
8. Impact of privatisation
9. Meaning and forms of globalization
10. What is privatisation
11. What is liberalisation
12. What is globalization
13. Adv and Disadv of globalization
14. Impact of globalization
15. Highlights of the LPG policy
16. Do u know pno. 187

21 Sale of Goods Act 1936

1. Formation of contract of sale
2. Essentials Elements of a contract of sale
3. Diff between sale and agreement to sell.
4. Types of Goods
5. Transfer of ownership
6. Passing of property
7. Time of transfer of ownership
8. Condition and warranties
9. Diff condition and warranties
10. Implied condition and warranties
11. Rights of unpaid seller
12. Unpaid seller- meaning
13. Circumstances under which the right of lien is lost
14. Right to stoppage in transit
15. Termination of right of stoppage

22. Negotiable instruments Act 1881

1. What is meant by Negotiable
2. What is meant by Negotiable instrument
3. What is mean by Negotiable instruments
4. Characteristics of Negotiable instrument
5. Presumptions of Negotiable instrument
6. Negotiability and assignability
7. Meaning of Negotiability
8. Meaning of Assignability

9. Bills of exchange - Defn
10. Characteristics of BOE
11. Cheque Defn
12. Features of cheque
13. Diff BOE and cheque
14. Promissory note meaning and Defn
15. Characteristicd of a promissory note
16. Diff. Cheque and promissory note
17. Diff BOE and promissory note
18. Types of cheque
19. Crossing of cheque
20. Types of crossing cheque
21. Endorsements meaning and Defn.
22. Requisites of a valid endorsement
23. Kinds of endorsement
24. Types of Negotiable instruments
25 What is IFSC
26. What is MICR
27. RBI Act 1934
28. NI Act

23. Entrepreneurship

1. Entrepreneurship meaning and Defn
2 Concept of Entrepreneur
3. Characteristics of Entrepreneur
4. Importance of Entrepreneur
5. What is innovation
6. What is GDP
7. Entrepreneur Vs Intrepreneur, comparison, diff.
8. Who is an Intrepreneur
9. Diff between Entrepreneur and Manager
10. Women Entrepreneurs meaning and Defn
11. Opportunities for women Entrepreneurs
12. Challenges of women entrepreneurs
13. Entrepreneurial functions or functions of Entrepreneur
14. Salaried Employment, Self Employment - for own thinking

24. Types of Entrepreneur

1. Types of Entrepreneur
2. How to start a business
3. What are the financial institutions offered by for company starts.
4. Urban and Rural Entrepreneur- Diff.

25. Government Schemes for ED

1. Start up India
2. Make in India
3. STEP
4. Stand up India
5. New programmes and opportunities announced by Government of India
6. India's efforts at promoting Entrepreneurship and innovations.
7. Reasons why women become Entrepreneurs
8. Steps in promoting an entrepreneurial venture.
9. Govt of TN - Entrepreneurial Schemes
10. Angel investors

26. Companies Act-Evolution and History of Company Law in Inida

1. The companies act 2013 details
2. Some Important basic changes made in the New Companies Act 2013
3. Body Corporate
4. Formation/ Incorporation of a company
5. Who is promoter
6. Preliminary steps of promote company
7. Procedural aspects of company formation
8. Incorpoaration or Registration –
9. Certificate of Incoporation
10. Memorandum and Articles of Association
11. What is mean by Memorandum of Association
12. What is mean by AOA Articles of Association
13. Commencement of business
14. What is mean by Shares
15. Whats is mean by Stock
16. Shares VS Stock
17. What is mean by Share capital
18. Kinds of Share Capital
19. Meaning of Preference share capital
20. Meaning of Equity shares
21. Kinds of Preference shares
22. Types of issues of shares
23. Share certificate and share warrant
24. Debentures
25. Features of Debentures
26. Kinds of debentures

27. Navarathna companies – Do u know
28. Maharatnas companies- Do u know
29. How to prepose the name for a company
30. Diff shares and debentures

27. Company Mgt

1. Meaning and Defn of directors
2. Minimum and maximum numbers of directors in a company.
3. Dutires of directors
4. Key managerial personnel of a company
5. Who are the key managerial personnel
6. KMP
7. BOD's
8. Composition of the BOD's
9. Types of Directors as per companies act 2013
10. Numbers of directors required
11. Legal position of director
12. Appointmnet of directors under companies act 2013-Sec152
13. General provisions relating to appointment of directors
14. What is mean by first director
15. Appointmnet of additional director sec 161 (1)
16. Appointment of alternate director –Sec 161 (2)
17. Qualifications of director
18. Disqualifications of director
19. Removal of direcot
20. Remuneration of director
21. Maximum remuneration payable by a company to its managerial personnel
22. Powers of director
23. Rights of Director
24. Duties of director
25. Liabilties of director
26. Directorial register or register of directors and KPS (rule 17)
27. Diff Manager VS Director
28. Diff MD vs whole time director

28. Company Secretary

1. Company Secretary meaning
2. Company secretary defn
3. Qualifications of CS
4. Statutory appointment of CS
5. Functions/Duties of CS

6. Powers and Rights of CS
7. Removal/Dismissal of CS
8. Company meetings
9. Kinds of company meetings
10. Statutory meeting
11. AGM Annual General Meeting
12. Extra-ordinary General Meeeting (EOGM)
13. Meeitng of the BOD's
14. Special meeting
15. Resolution
16. Kinds of Resolution
17. Ordinary resolution is required for the following matters.
18. Special resolution
19. Special resolution is required for the following matters
20. Resolution requiring special notics
21. Voting
22. Procedures of voting
23. What is mean by poll
24. Who is proxy
25. Stakeholders – Do u know
26. Quorum
27. Agenda
28. Features of Company

NOTE: 1,2,3,5 MARKS BOOK BACK, BOOK INSIDE, GENERAL QUESTIONS MAY BE COME.

PLUS TWO COMMERCE GENERAL QUESTIONS

1. If you are a manager or managing director. How to solve a problem or How to take decisions - Questions may be come.

2. You listed your company shares in National Stock Exchange.

3. If you are a Human resource manager.

How to recruit personnel?

Or

How to select employees?

Or

How to train or what methods of training to be given to employees?

- Questions may be come.

4. If you are a Human resource manager on the job training or off the job training given to employees or workers?

5. If you are Marketing manager, How to market your products?

6. If you are a marketing manager, use recent trends in marketing- E-commerce, list your company products in Amazon.com?

7. E-commerce is now developed in India. Do you agree?

8. If you are a Human resource manager, How to Recruit or select employees or workers?

9. If you buy Refrigerator at shop. But, it's defective. You go to Consumer court and case file to shop owner and get money or want new refrigerator or claim money.

10. If dishonour of cheque Rs. 20,000 from your bank. How to get amount?

11. If you are Bank Manager how to handle customer?

12. If you are Entrepreneur, How to start or what steps to be taken for start company?

13. What are the problems or challenges faced Women Entrepreneurs?

14. What are the Government Schemes available for Entrepreneurs or New Entrepreneurs?

15. What are the steps in promoting an Entrepreneurial venture?

16. If you are promoter, What are the steps to be followed to start a company?

17. If you are company secretary, organise Annual General Meeting?

18. What are the types of preference shares?

19. What are the types of Debentures?

20. Give 10 stock exchanges list in India.

21. All Definitions

22. All Differences

Best wishes.

PLUS TWO COMMERCE- IMPORTANT QUESTIONS

2-2 MARKS 3–3 MARKS 5-5MARKS

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CHAPTER 2 2-1,2,3,4 3-1,2,3 5-1	CHAPTER 9 2-1,2,3,4,5 3-1,2,3,4,5 5-1,2,3,4	CHAPTER 16 2-1,2,3,4,5,6, 3-1,2,3,4,5 5-1,3,5,6,7	CHAPTER 23 2- 1,2,3,4,5 3-1,2,43,4,5 5-1,2,3,4,5
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