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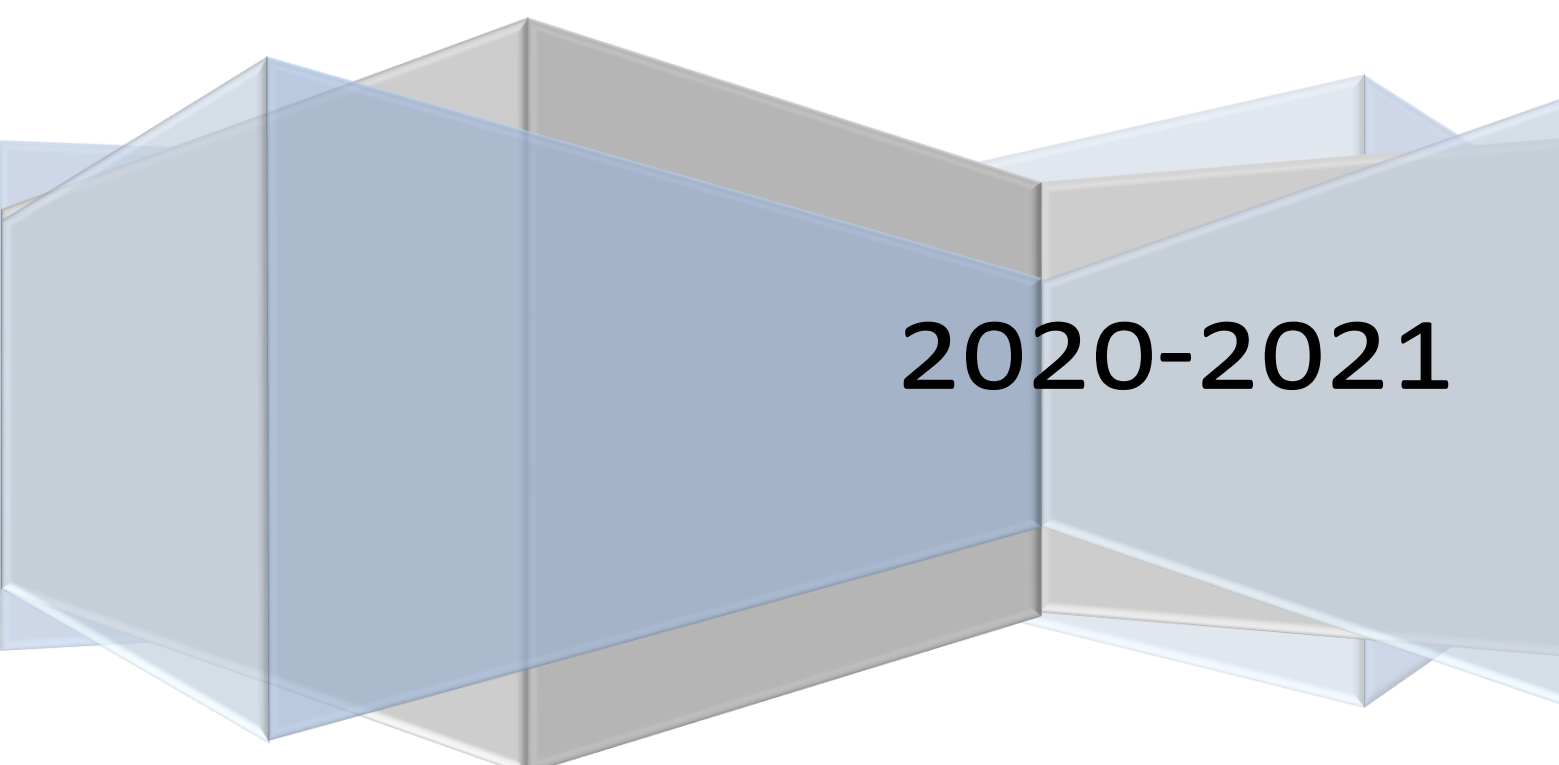
## AADARSH COMMERCE GUIDE

# XII-COMMERCE

### Study Material

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**2020-2021**

## CHAPTER 1: PRINCIPLES OF MANAGEMENT

### I. VERY SHORT ANSWER QUESTIONS:

#### 1. What is Management?

- Management is goal oriented and it is an art of getting things done with and through others.
- The practice of management helps to achieve the organizational mission and determines the future of the business enterprises.

#### 2. List out the management tools.

- Tools of management have been developed such as, accounting, business law, psychology, statistics, econometrics, data processing, etc.
- These branches of management profession have enhanced the practical utility of the science of management.

#### 3. Who is a manager?

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

#### 4. State the meaning of Authority.

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

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

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

### II. SHORT ANSWER QUESTIONS:

#### 1. Define the term management.

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

— Peter F. Drucker

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

— Henry Fayol.

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

- Management combines features of both science as well as art.
- It is considered as a science because it has an organized body of knowledge which contains certain universal truth.
- It is called an art because managing requires certain skills which are personal possessions of managers.

#### 3. Differentiate management from Administration.

BASIS FOR COMPARISON	MANAGEMENT	ADMINISTRATION
Meaning	An organized way of managing people and things of a business organization is called the Management	The process of administering an organization by a group of people is known as the Administration.
Authority	Middle and Lower Level	Top Level
Role	Executive	Decisive
Concerned with	Policy Implementation	Policy Formulation

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

Principles of scientific management propounded by Taylor are

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

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

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

The Span of Management has two implications:

1. Influences the complexities of the individual manager's job
2. Determine the shape or configuration of the Organization

### III. Long answer questions:

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

##### i. Body of Knowledge:

- Management has now developed into a specialised body of management theory and philosophy. Management literature is growing in all countries.
- In fact, management knowledge is the best passport to enter the world of employment.

##### ii. Management Tools:

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

##### iii. Separate Discipline:

- Management studies in many universities and institutions of higher learning are recognised as a separate discipline. Since 1951, many specialised schools of management offering master's degree in business management and administration.

##### iv. Specialisation:

- There is a growing tendency to select and appoint highly qualified, trained and experienced persons to manage the business in each functional areas of management. Thus we have today an increasing tendency in favour of management by experts or professionals.

##### v. Code of Conduct:

- Enlightened businessmen have recognised that business management is a social institution and it has social responsibilities to be fulfilled — towards customers, employees, and the public or community. Corporations have now social conscience and awareness.
- No longer 'buyer beware' is ruling the exchange relations in the market. At present 'seller beware' in place of 'buyer beware' influencing market practices.

##### vi. Professional Association:

- The Business Management Associations in many countries to promote the spread of knowledge in all management areas and to build up the bright public image of managerial profession.

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

##### i. 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.

**ii. 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.

**iii. 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.

**iv. Management is a Social Process:**

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

**v. Management is a Cyclical Process:**

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

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

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

**i. Science, Not Rule of Thumb:**

- ✓ Rule of Thumb means decisions taken by manager as per their personal judgments.
- ✓ According to Taylor, even a small production activity like loading iron sheets into box cars can be scientifically planned.
- ✓ This principle is concerned with selecting the best way of performing a job through the application of scientific analysis and not by intuition or hit and trial methods.

**ii. Harmony, Not Discord:**

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

**iii. Mental Revolution:**

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

**iv. Cooperation, Not Individualism:**

- ✓ Workers should be considered as part of management and should be allowed to take part in decision making process of the management.
- ✓ Workers should also resist from going on strike or making unnecessary demands from management.

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

- ✓ Efficiency of any organisation also depends on the skills and capabilities of its employees to a great extent.
- ✓ To attain the efficiency, steps should be taken right from the process of selection of employees.
- ✓ The work assigned to each employee should suit his/her physical, mental and intellectual capabilities.

**4. Explain the principles of modern management. (Any 6)**

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

- i. **Division of Work:**
  - ✓ According to this principle the whole work is divided into small tasks.
  - ✓ It leads to specialization which increases the efficiency of labour.
- ii. **Authority and Responsibility:**
  - ✓ Authority means the right of a superior to give the order to his subordinates whereas responsibility means obligation for performance.
- iii. **Discipline:**
  - ✓ It is obedience, proper conduct in relation to others, respect of authority, etc. It is essential for the smooth functioning of all organizations.
- iv. **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.
- v. **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.
- vi. **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.
- vii. **Remuneration:**
  - ✓ Workers must be paid sufficiently as this is a chief motivation of employees and therefore greatly influences productivity.
- viii. **The Degree of Centralization:**
  - ✓ Centralization implies the concentration of decision making authority at the top management, it depends on company size.
- ix. **Line of Authority/Scalar Chain:**
  - ✓ The principle suggests that there should be a clear line of authority from top to bottom linking all managers at all levels.
- x. **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.
- xi. **Equity:**
  - ✓ Employees must be treated kindly. Managers should be fair and impartial when dealing with employees, giving equal attention towards all employees.
- xii. **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.
- xiii. **Initiative:**
  - ✓ Using the initiative of employees can add strength and new ideas to an organization. Initiative on the part of employees is a source of strength for organization because it provides new and better ideas.
- xiv. **Esprit de Corps/Team Spirit:**
  - ✓ This refers to the need of managers to ensure and develop morale in the workplace; individually and communally. Team spirit helps develop an atmosphere of mutual trust and understanding. Team spirit helps to finish the task on time.

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## Chapter 2: FUNCTIONS OF MANAGEMENT:

### I. Very Short Answer Questions:

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

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

#### 2. What is meant by Motivation?

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

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

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

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

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

#### 5. What is the Traditional proverb used in planning?

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

### II. Short Answer Questions:

#### 1. List out the main functions of management?

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

#### 2. State the importance of staffing.

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

#### 3. 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.

#### 4. What is meant by Coordination?

- Co-ordination is the synchronization 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;
- 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.



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

- 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 to be done and when it is to be done.
- Communication helps the regulation of job and co-ordinates the activities.

**III. Long Answer Questions:****1. Explain the various functions of management.****Main Functions:****I. 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.

**II. Organising:**

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

**III. Staffing:**

- staffing refers to placement of right persons in the right jobs. The success of any enterprise depends upon the successful performance of staffing function

**IV. Directing:**

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

**V. Motivating:**

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

**VI. Controlling:**

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

**VII. Co ordination:**

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

**Subsidiary Functions:****I. Innovation:**

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

**II. Representation:**

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

**III. Decision-making:**

Every employee of an organisation has to take a number of decisions every day. Decision making helps in the smooth functioning of an organization.

**IV. Communication:**

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

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## Chapter 3: MANAGEMENT PROCESS:

### I. Very Short Answer Questions:

#### 1. Define - MBO

"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".  
-George Odiorne

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

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

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

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

#### 4. Mention any two advantages of MBO?

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

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

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

### II. Short Answer Questions:

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

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

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

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

#### 3. List out any three process of MBO.

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

**III. Long Answer Questions:****1. What are the major advantages of MBO?**

- MBO process helps the managers to understand their role in the total organisation.
- Manager recognises the need for planning and appreciates the planning.
- MBO provides a foundation for participative management. Sub-ordinates are also involved in goal setting.
- Systematic evaluation of performance is made with the help of MBO.
- MBO gives the criteria of performance. It helps to take corrective action.
- Delegation of authority is easily done with the help of MBO.
- MBO motivates the workers by job enrichment and makes the jobs meaningful.
- The responsibility of a worker is fixed through MBO.

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

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

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

- MBO fails to explain the philosophy; most of the executives do not know how MBO works? what is MBO? and why is MBO necessary? and how participants can benefit by MBO?
- MBO is a time consuming process. Much time is needed by senior people for framing the MBO. Next, it leads to heavy expenditure and also requires heavy paper work.
- MBO emphasises only on short-term objectives and does not consider the longterm objectives.
- The status of subordinates is necessary for proper objectives setting. But, this is not possible in the process of MBO.
- MBO is rigid one. Objectives should be changed according to the changed circumstances, external or internal. If it is not done, the planned results cannot be obtained.

**4. Discuss the disadvantages of MBE**

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

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## Chapter 4: FINANCIAL MARKETS:

### I. Very Short Answer Questions:

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

Organized sector consist of,

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

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

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

#### 3. What is spot market?

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

#### 4. What is debt market?

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

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

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

### II. Short Answer Questions:

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

##### Meaning:

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

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

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

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

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

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

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

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

- The financial market provides financial assistance to individuals, agricultural sectors, industrial sectors, service sectors, financial institutions like banks, insurance sectors, provident funds and the government as a whole.
- With the help of the financial market all the above stated individuals, institutions and the Government can get their required funds in time.
- Through the financial market the institutions get their short term as well as long term financial assistance. It leads to the overall economic development.

### III. Long Answer Questions:

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

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

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

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

- (i) **Debt Market** is the financial market for trading in Debt Instrument (i.e. Government Bonds or Securities, Corporate Debentures or Bonds)
- (ii) **Equity Market** is the financial market for trading in Equity Shares of Companies.

##### b. On the Basis of Maturity of Financial Claim

- (i) **Money Market** is the market for short term financial claim (usually one year or less) E.g. Treasury Bills, Commercial Paper, Certificates of Deposit
- (ii) **Capital Market** is the market for long term financial claim more than a year E.g. Shares, Debentures

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

- (i) **Primary Market** is a term used to include all the institutions that are involved in the sale of securities for the first time by the issuers (companies). Here the money from investors goes directly to the issuers.
- (ii) **Secondary Market** is the market for securities that are already issued. Stock Exchange is an important institution in the secondary market.

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

- (i) **Cash/Spot Market** is a market where the delivery of the financial instrument and payment of cash occurs immediately. i.e. settlement is completed immediately.
- (ii) **Forward or Futures Market** is a market where the delivery of asset and payment of cash takes place at a pre-determined time frame in future.

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

- (i) **Exchange Traded Market** is a centralized organization (stock exchange) with standardized procedures.
- (ii) **Over-the-Counter Market** is a decentralized market (outside the stock exchange) with customized procedures.

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

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

##### (i) Savings Mobilization:

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

##### (ii) Investment :

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

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**(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:****(i) Transfer of Resources:**

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

**(ii) Enhancing Income:**

Financial markets allow lenders earn interest/dividend on their surplus investible funds and thus contributing to the enhancement of the individual and the national income.

**(iii) Productive Usage:**

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

**(iv) Capital Formation:**

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

**(v) Sale Mechanism:**

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

**II THE FINANCIAL FUNCTIONS:**

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

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

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

\*\*\*\*\*

**Chapter 5: CAPITAL MARKET****I. Very Short Answer Questions:****1. What is Capital Market?**

- Capital market is a market where buyers and sellers engage in trade of financial securities like bonds, and stocks.
- The buying/selling is undertaken by participants such as individuals and institutions.

**2. Write a note on OTCEI.**

- The OTCEI was set up by a premier financial institution to allow the trading of securities across the electronic counters throughout the country.
- It addresses some specific problems of both investors and medium-size companies.

### 3. What is Mutual Fund?

- Financial institutions that provide facilities for channeling savings of small investors into avenues of productive investments are called 'Mutual Funds'.
- A mutual fund company invests the funds pooled from shareholders and gives them the benefit of diversified investment portfolio and a reasonable return.

### 4. Who are the participants in a Capital Market?

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

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

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

## II. Short Answer Questions:

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

#### I Primary Market:

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

#### II Secondary Market:

Secondary Market may be defined as the market for old securities, in the sense that securities which are previously issued in the primary market are traded here. The trading takes place between investors.

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

#### (i) Savings and Capital Formation:

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

#### (ii) Reliable Guide to Performance:

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

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

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

- Its prescribes the terms and conditions of contract for the securities market
- Its aims at determining the net cash and stock liability of each broker on a settlement date
- Its arranges to provide for the transfer of ownership of securities in exchange on payment by book entry on electronic ledgers without any physical movement of transfer deed

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

- The period between 1947 and 1973 marked the development of infrastructure for capital market
- During this period, a network of development financial institutions such as IFCI, ICICI, IDBI and UTI, SFCs and SIDCs were established.
- These financial institutions strengthened the capital market.
- During the period between 1980 and 1992, debenture emerged as a powerful instrument of resource mobilization in the primary market.
- A number of stock exchanges came into existence. There was a momentous growth in the secondary market.
- SEBI emerged as an effective regulatory body for the primary and secondary markets and afford a measure of protection to small investors.



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

### (i) Factoring Institutions:

“Factoring” is an arrangement whereby a financial institution provides financial accommodation on the basis of assignment/ sale of account receivables. The factoring institutions collect the book debts for and on behalf of its clients.

### (ii) Venture Fund Institutions:

- Venture capital financing is a form of equity financing designed especially for funding new and innovative project ideas.
- Venture capital funds bring into force the hi-technology projects which are converted into commercial production.

## III. Long Answer Questions:

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

#### (i) Securities Market:

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

#### (ii) Price:

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

#### (iii) Participants:

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

#### (iv) Location :

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

#### (v) Market for Financial Assets:

Capital market provides a transaction platform for long term financial assets

### 2. Briefly explain the functions of capital market.

#### (i) Savings and Capital Formation:

In capital market, various types of securities help to mobilize savings from various sectors of population (Individuals, Corporate, Govt., etc.) This accelerates the capital formation in the country.

#### (ii) Permanent Capital:

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

#### (iii) Industrial Growth:

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

#### (iv) Ready and Continuous Market:

- The stock exchange provides a central convenient place where buyers and sellers can easily purchase and sell securities.
- Easy marketability makes investment in securities more liquid as compared to other assets.

#### (v) Reliable Guide to Performance:

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



**(vi) Easy Liquidity:**

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

**3. Explain the various types of New Financial Institutions****(i) Venture Fund Institutions:**

Venture capital financing is a form of equity financing designed especially for funding new and innovative project ideas. Venture capital funds bring into force the hi-technology projects which are converted into commercial production.

**(ii) Mutual Funds:**

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

**(iii) Factoring Institutions:**

"Factoring" is an arrangement whereby a financial institution provides financial accommodation on the basis of assignment/ sale of account receivables. The factoring institutions collect the book debts for and on behalf of its clients.

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

The OTCEI was set up by a premier financial institution to allow the trading of securities across the electronic counters throughout the country. It addresses some specific problems of both investors and medium-size companies.

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

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

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

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

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

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

**2. What is a CD market?**

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

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

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

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

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

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

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

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

Treasury Bills incorporate the following general features.

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

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

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

**3. Explain the types of Treasury Bills?****91 days Treasury Bills :**

- Its issued at a fixed discount rate of 4 per cent as well as through auctions.

**182 days Treasury Bills:**

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

**364 days Treasury Bills:**

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

**4. What are the features of Certificate of Deposit?**

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

**5. What are the types of Commercial Bill?**

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

**III. Long Answer Questions:****1. Differentiate between the Money Market and Capital Market.**

SL.NO	FEATURES	MONEY MARKET	CAPITAL MARKET
1	Duration of Funds	It is a market for short-term loanable funds for a period of not exceeding one year.	It is a market for long-term funds exceeding period of one year.
2	Deals with Instruments	It deals with instruments like commercial bills (bill of exchange, treasury bill, commercial papers etc.).	It deals with instruments like shares, debentures, Government bonds, etc.,

3	Role of Major Institution	The central bank and commercial banks are the major institutions in the money market.	Development banks and Insurance companies play a dominant role in the capital market.
4	Availability of Instruments	Money Market instruments generally do not have secondary market.	Capital market instruments generally have secondary markets.
5	Subdivision	In money market there is no such subdivision.	In capital market there is a division of primary market and secondary market.
6	Place of Transaction	Transactions mostly take place over the phone and there is no formal place.	Transactions take place at a formal place. Eg. stock exchange.
7	Risk	Low credit and market risk.	High credit and market risk
8	Liquidity	High liquidity in Money Market	Low liquidity in Capital Market

## 2. Explain the characteristics of Money Market?

### 1.Short-term Funds

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

### 2.Maturity Period

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

### 3.Conversion of Cash

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

### 4.Existence of Secondary Market

There should be an active secondary market for these instruments.

### 5.Demand and Supply of Funds

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

### 6.Wholesale Market

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

### 7.Flexibility

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

### 8.No Formal Place

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

## 3. Explain the Instruments of Money Market?

### I.Treasury bill :

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

**Features:**

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

**Types:**

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

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

**II. Certificate of Deposits:**

- Certificate of Deposits are short-term deposit instruments issued by banks and financial institutions to raise large sums of money.
- Certificate of Deposits are issued in the form of usance promissory notes.
- The Certificate of Deposit is transferable from one party to another.

**Features of Certificate of Deposit**

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

**III. Commercial Bills:**

A bill of exchange issued by a commercial organization to raise money for short-term needs. These bills are of 30 days, 60 days and 90 days maturity.

**Types of Commercial Bill:**

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

**4. Explain the features and types of Commercial Bills?****Features**

The features of the Commercial Bills are as follows:

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

**Types****a. Demand Bills**

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

**b. Clean bills and documentary Bills**

Bills that are accompanied by documents of title to goods are called documentary bills. Clean bills are drawn without accompanying any document.

E.g. Railway Receipt and Lorry Receipt

**c. Inland bills and Foreign Bills**

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

**d. Indigenous Bills**

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

**e. Accommodation Bills**

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

**5. What are the characteristics of Government Securities?****1. Agencies**

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

**2. RBI Special Role**

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

**3. Nature of Securities**

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

**4. Liquidity Profile**

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

**5. Issue Mechanism**

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

**6. Issue opening**

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

**7. Switching**

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

**8. Auctioning**

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

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

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

**2. Define Stock Exchange.**

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

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

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

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

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

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

- ✓ Brokers are commission agents, who act as intermediaries between buyers and sellers of securities.
- ✓ They do not purchase or sell securities on their behalf. They bring together the buyers and sellers and help them in making a deal.
- ✓ Brokers charge a commission from both the parties for their service.

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

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

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

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

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

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

**II. Short Answer Questions:****1. What are the limitations of Stock exchange?**

- i. Lack of uniformity and control of stock exchanges.
- ii. Absence of restriction on the membership of stock exchanges.
- iii. Failure to control unhealthy speculation.
- iv. Allowing more than one charge in the place.
- v. No proper regulation of listing of securities on the stock exchange

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

- ✓ A Bull or Tejiwala is an operator who expects a rise in prices of securities in the future.
- ✓ The bull speculator stimulates the price to rise. He is an optimistic speculator.
- ✓ In anticipation of price rise he makes purchases of shares at present and other securities with the intention to sell at higher prices in future

**Bear:**

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

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

### 3. Explain Stag and Lam Duck.

#### Stag:

- ❖ A stag is a cautious speculator in the stock exchange. He applies for shares in new companies and expects to sell them at a premium, if he gets an allotment.
- ❖ He selects those companies whose shares are in more demand and are likely to carry a premium.
- ❖ He sells the shares before being called to pay the allotment money. He is also called a premium hunter.

#### Lame Duck:

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

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

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

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

### 5. Explain National Stock Exchange. (NSE)

- ❖ NSE was incorporated in November, 1992. It is a country wide, screen based, online and order driven trading system.
- ❖ It uses satellite link to spread trading throughout the country thereby connecting members scattered all over the India.
- ❖ Through computer network, member's orders for buying and selling within prescribed price are matched by central computer with each other and instantly communicate to the trading member.
- ❖ NSE has two segments, i.e., Debt segment and Capital segment. It has ushered in transparent, screen based and user friendly trading of global standards. It has revolutionised stock trading in India.

### III. Long Answer Questions:

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

##### 1. Ready and Continuous Market

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

##### 2. Protection to Investors

All dealings in a stock exchange are in accordance with well-defined rules and regulations. For example, brokers cannot charge higher rate of commission for their services. Any malpractice will be severely punished.

##### 3. Aid to Capital Formation

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



#### 4. Correct Evaluation of Securities

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

#### 5. Facilities for Speculation

Speculation is an integral part of stock exchange operations. As a result of speculation, demand for and supply of securities are equalized. Similarly, price movements are rendered smoothly.

#### 6. Clearing House of Business Information

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

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

#### 1. Market for Securities

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

#### 2. Deals in Second Hand Securities

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

#### 3. Association of Persons

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

#### 4. Recognition from Central Government

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

#### 5. Working as per Rules

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

#### 6. Regulates Trade in Securities

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

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

#### A. Benefits to the Community

##### i. Economic Development

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

##### ii. Fund Raising Platform

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

##### iii. Capital Formation

It encourages capital formation.

##### iv. Fund Raiser for Government

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



**B. Benefits to the Company****i. Enhances Goodwill or Reputation**

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

**ii. Wide Market**

There is a wide and ready market for such securities.

**iii. Raises huge funds**

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

**iv. Increases bargaining strength**

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

**C. Benefits to Investors****i. Liquidity**

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

**ii. Investor protection**

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

**iii. Assessing real worth of security**

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

**iv. Mechanism to trade security**

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

**4. Distinguish between Stock Exchange and Commodity Exchange.**

SL.NO	FEATURE	STOCK EXCHANGE	COMMODITY EXCHANGE
1	Meaning	Stock Exchange (also called Stock Market or Share Market) is one important constituent of capital market. Stock Exchange is an organized market for the purchase and sale of industrial and financial security.	A commodity exchange is an exchange where commodities are traded. Tradable commodities are <ul style="list-style-type: none"> <li>❖ Metals (e.g. gold, silver, copper)</li> <li>❖ Energy (e.g. crude oil, natural gas)</li> <li>❖ Agricultural (e.g. rice, wheat, cocoa)</li> </ul>
2	Function	Providing easy marketability	Offering hedging or price insurance services and liquidity to securities.
3	object	Object is facilitating capital formation and making best use of capital resources	Object is facilitating goods flow through risk reduction
4	Participants	Investors and Speculators	Producers, dealers, traders and a body of speculators.
5	Articles Traded	Industrial securities such as stocks and bonds and government securities.	Only durable, graded and goods having large volume of trade, price uncertainty and uncontrolled supply
6	Period of dealings	Cash, ready delivery and dealings for account for a fortnight	Instant cash dealings and a settlement period of 2 or 3 months for Future Market dealings

## Chapter 8: SECURITIES EXCHANGE BOARD OF INDIA (SEBI)

### I. Very Short Answer Questions:

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

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

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

##### 1. Regulation of Stock Exchanges

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

##### 2. Protection to the Investors

The capital market is meaningless in the absence of the investors. Therefore, it is important to protect the interests of the investors.

#### 3. What is Demat account?

- ❖ A demat account holds all the shares that are purchased in electronic or dematerialized form.
- ❖ Like the bank account, a demat account holds the certificates of financial instruments like shares, bonds, government securities, mutual funds and exchange traded funds (ETFs).

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

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

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

PAN card, voter's ID, passport, driver's license, bank attestation, IT returns, electricity bill, telephone bill, ID cards with applicant's photo issued by the central or state government and its departments, statutory or regulatory authorities, etc..

### II. Short Answer Questions:

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

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

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

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

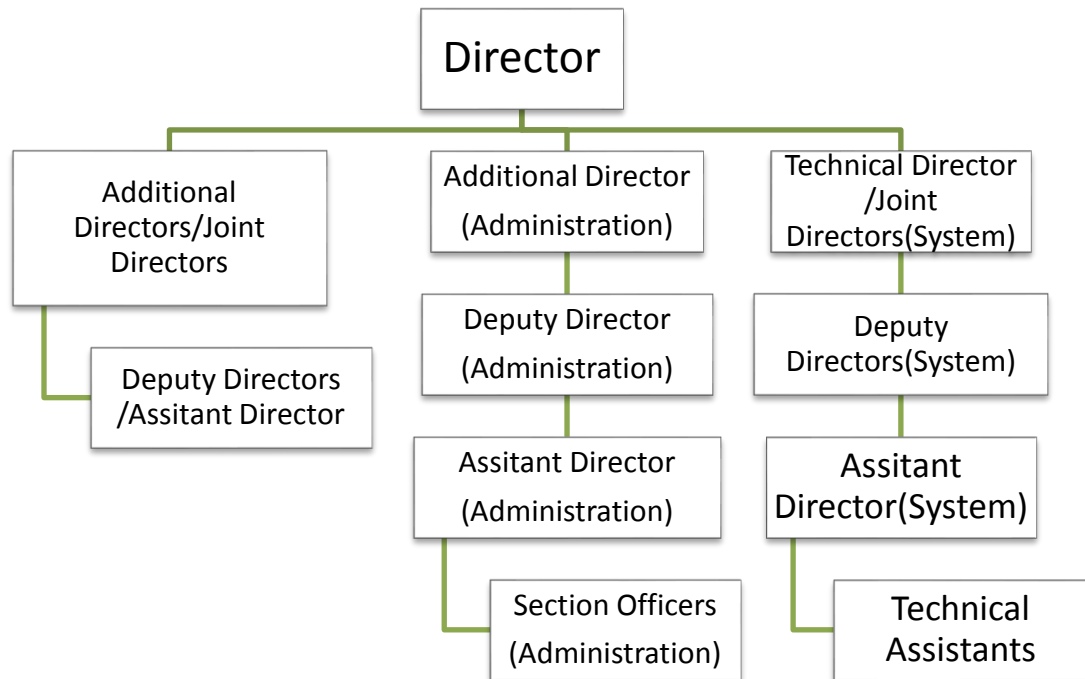
#### 3. What is the power of SEBI under Securities Contract Act?

- ✓ For effective regulation of stock exchange, the Ministry of Finance issued a Notification on 13 September, 1994 delegating several of its powers under the Securities Contracts (Regulations) Act to SEBI.
- ✓ SEBI is also empowered by the Finance Ministry to nominate three members on the Governing Body of every stock exchange.

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

- ❖ Insider trading means the buying and selling of securities by directors Promoters, etc.
- ❖ Who have access to some confidential information about the company and who wish to take advantage of this confidential information.
- ❖ This affects the interests of the general investors and is essential to check this tendency. Many steps have been taken to check insider trading through the medium of the SEBI.

#### 5. Draw the organization structure of SEBI.



### III. Long Answer Questions:

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

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

**2. Explain the powers of SEBI.****1. Powers Relating to Stock Exchanges & Intermediaries**

SEBI has wide powers regarding the stock exchanges and intermediaries dealing in securities. It can ask information from the stock exchanges and intermediaries regarding their business transactions for inspection or scrutiny and other purpose.

**2. Power to Impose Monetary Penalties**

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

**3. Power to Initiate Actions in Functions Assigned**

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

**4. Power to Regulate Insider Trading**

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

**5. Powers under Securities Contracts Act**

For effective regulation of stock exchange, the Ministry of Finance issued a Notification on 13 September, 1994 delegating several of its powers under the Securities Contracts (Regulations) Act to SEBI. SEBI is also empowered by the Finance Ministry to nominate three members on the Governing Body of every stock exchange.

**6. Power to Regulate Business of Stock Exchanges**

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

**3. What are the benefits of Dematerialisation?**

- i. The risks pertaining to physical certificates like loss, theft, forgery and damage are eliminated completely with a DEMAT account.
- ii. The lack of paperwork enables quicker transactions and higher efficiency in trading.
- iii. Trading has become more convenient as one can trade through computers at any location, without the need of visiting a broker.
- iv. The shares that are created through mergers and consolidation of companies are credited automatically in the DEMAT account.
- v. As all the transactions occur through the depository participant, a trader does not have to communicate individually with each and every company.
- vi. There is no need for stamp duty for transfer of securities; this brings down the cost of transaction significantly.
- vii. Certain banks also permit holding of both equity and debt securities in a single account.
- viii. Banks also provide dedicated and trained customer care officers to assist through all the procedures.
- ix. A DEMAT account holder can buy or sell any amount of shares. However, there is limit on the number of transactions done using physical securities.
- x. One can also choose to take a loan against securities which are held in a DEMAT account by offering it as a collateral to the lender.

## Chapter 9: FUNDAMENTALS OF HUMAN RESOURCE MANAGEMENT

### I. Very Short Answer Questions:

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

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

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

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

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

##### i. Universally relevant :

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

##### ii. Goal oriented :

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

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

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

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

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

### II. Short Answer Questions:

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

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

#### 2. What are the characteristics of Human resources ?

- Human Resource Management has **universal relevance**.
- Human resource management **focuses on the development** of manpower through training and development programmes.
- Human resource management is **both science as well as art**
- Human resource management is a **intangible function** which can be measured only by results.
- It is all **pervasive**

#### 3. What is the significance of Human resource?

- It is only through human resource all other resources are effectively used
- Industrial relations depend on human resource
- Human relations is possible only through human resource
- Human resource manages all other factors of production
- Human resource can be utilised at all levels of management
- Human resources are well protected by legislative frameworks.

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

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

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

### III. Long Answer Questions:

#### 1. Explain the characteristics of Human Resource.

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

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

##### i. To identify manpower needs :

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

##### ii. To incorporate change :

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

##### iii. To ensure the correct requirement of manpower:

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

##### iv. To select right man for right job:

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

##### v. To update the skill and knowledge:

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

##### vi. To appraise the performance of employees:

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

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

##### i. Planning :

Planning is deciding in advance what to do, how to do and who is to do it. It bridges the gap between where we are and where we want to go. It helps in the systematic operation of business.

##### ii. Organising:

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

##### iii. Directing:

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

**iv. Controlling:**

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

**4. Discuss the Operative functions HRM.****i. Procurement :**

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

**ii. Development :**

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

**iii. Compensation :**

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

**iv. Retention :**

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

**v. Integration :**

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

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

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**Chapter 10: RECRUITMENT METHODS****I. Very Short Answer Questions:****1. Give the meaning of Recruitment.**

Recruitment is the process of finding suitable candidates for the various posts in an organisation. It is a process of attracting potential people to apply for a job in an organisation.

**2. What is promotion?**

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

**3. Write any two internal source of recruitment.**

**1. Transfer**-transfer of employee from one department with surplus staff to that of another with deficit staff.

**2. Upgrading**-Performance appraisal helps in the process of moving employees from a lower position to a higher position

**4. What is meant by campus recruitment?**

The organisations visit the educational institutions to identify and recruit suitable candidates

**5. What is meant by poaching?**

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

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

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



## 2. What is meant by unsolicited applicants?

- i. These are the applications of job seekers who voluntarily apply for the vacancies not yet notified by the organisations.
- ii. It's not an expensive method of recruitment.

## 3. What is meant by job portals?

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

## 4. State the steps in Recruitment process outsourcing

- ❖ Requirement understanding
- ❖ Advertise and source
- ❖ Screening
- ❖ Validation
- ❖ Profile submission
- ❖ Interview process and feedback
- ❖ Selection and follow up

## III. Long Answer Questions:

### 1. Explain the Internal sources of recruitment.

1. **Transfer**-transfer of employee from one department with surplus staff to that of another with deficit staff.
2. **Upgrading**-Performance appraisal helps in the process of moving employees from a lower position to a higher position
3. **Promotion**-Based on seniority and merits of the employees they are given opportunity to move up
4. **Demotion**-Movement of employee from a higher position to a lower position because of poor performance
5. **Recommendation by existing Employees**-A family member, relative or friend of an existing employee can be recruited and placed
6. **Job rotation**-One single employee managing to learn how to perform in more than one job on rotation.

### 2. Explain the External Sources of Recruitment

#### i. Direct:

1. **Advertisements**- The employer can advertise in dailies, journals, magazines etc. about the vacancies in the organisation
2. **Unsolicited applicants**- job seekers who voluntarily apply for the vacancies not yet notified by the organisations.
3. **Walk ins**- Walk-in applicants with suitable qualification and requirement can be another source of requirement.
4. **Campus Recruitment**- The organisations visit the educational institutions to identify and recruit suitable candidates

#### ii. Indirect:

1. **Employee referral**- The existing employees of the organisation may recommend some of their relatives
2. **Government/ Public Employment Exchanges**- These are exchanges established by Government which facilitates recruitment throughout the country.
3. **Private Employment Agencies**- These are similar to Public employment exchanges except that the ownership is the hands of Private parties.



**4. Employment Consultancies-** These types of firms facilitate recruitment on behalf of client companies at cost

### **3. What is the recent trends in Recruitment?**

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

#### **Recruitment process outsourcing**

- ❖ Requirement understanding
- ❖ Advertise and source
- ❖ Screening
- ❖ Validation
- ❖ Profile submission
- ❖ Interview process and feedback
- ❖ Selection and follow up

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

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## **Chapter 11: EMPLOYEE SELECTION PROCESS**

### **I. Very Short Answer Questions:**

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

- ❖ Selection is the process of choosing the most suitable person for the vacant position in the organization.
- ❖ The main aim of selection process is to find out the suitable candidate for specific job.

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

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

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

- ❖ Intelligence tests are one of the psychological tests, that is designed to measure a variety of mental ability, individual capacity of a candidate.
- ❖ The main aim of these tests is to obtain an idea of the person's intellectual potential.

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

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

#### **5. What do you mean by placement?**

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

## **II. Short Answer Questions:**

### **1. What is stress interview?**

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

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

- ❖ Under this method, a series of question to be asked by the interviewer are pre-prepared by the interviewer and only these questions are asked in the interview.
- ❖ Ultimately interviewees are ranked on the basis of score earned by the candidate in the interview.

### **3. Name the types of selection test?**

#### **1. Ability Tests**

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

#### **2. Personality Tests**

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

### **4. What do you mean by achievement test?**

- ❖ This test measures a candidate's capacity to achieve in a particular field.
- ❖ This test measures a candidate's level of skill in certain areas, accomplishment and knowledge in a particular subject.
- ❖ The regular examination conducted in educational institution represents achievement test. It is also called **proficiency test**.  
Example : A driver may be asked to drive a vehicle to test his driving efficiency

### **5. 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.

### **6. How is panel interview conducted?**

- ❖ Where a group of people interview the candidate, it is called panel interview.
- ❖ Usually panel comprises chair person, subject expert, psychological experts, nominees of higher bodies and so on.
- ❖ All panel members ask different types of questions on general areas of specialization of the candidate.
- ❖ Each an every member awards marks for the candidate separately. At the end, the marks awarded by all the members are aggregated and the candidates are ranked accordingly.
- ❖ This method eliminates bias in selection process.

**III. Long answer questions:****1. Briefly explain the various types of tests.****A) Ability Test**

A test designed to measure an individual's cognitive function in a specific area, such as variety of skills, mental aptitude, problem solving, knowledge of particular field, reasoning ability, intelligence etc. This test is used to find the suitability of a candidate for a given job role.

**1. Aptitude test**

Aptitude test is a test to measure suitability of the candidates for the post/role. It actually measures whether the candidate possess a set of skills required to perform a given job. It can be measured by the following ways: **(Explain any 5 test)**

**i) Numerical Reasoning Test**

- ✓ This test measures the candidate's ability to make correct decision from numerical data.

**ii) Verbal Reasoning Test**

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

**iii) Inductive Reasoning Test**

- ✓ It's a psychometric tests conducted in the selection process to measure the problem solving abilities and ability to apply logical reasoning.

**iv) Mechanical Reasoning Test**

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

**v) Diagrammatic Reasoning Test**

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

**vi) Spatial Reasoning Test**

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

**vii) Situational Judgment Test**

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

**viii) Mental Arithmetic Test**

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

**ix) Vocabulary Test**

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

**x) Number Sequence Test**

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

**2. Achievement Test**

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

Example,

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

### 3. Intelligence Tests

Intelligence tests are one of the psychological tests, that is designed to measure a variety of mental ability, individual capacity of a candidate. The main aim of these tests is to obtain an idea of the person's intellectual potential.

### 4. Judgment Test

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

### B. Personality test

Personality test refers to the test conducted to find out the non-intellectual traits of a candidate namely temperament, emotional response, capability and stability. There is no right or wrong answer in the test. It comprises of following tests.

#### 1. Interest Test

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

#### 2. Personality Inventory Test

- ✓ Under this method standardised questionnaire is administered to the candidate to find out traits like interpersonal rapport, dominance, introvertness, extravertness, self confidence, lower sign quality etc. This test assesses the reliability and innate characters of the candidate concerned.

#### 3. Projective Test / Thematic Appreciation Test

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

#### 4. Attitude Test

- ✓ This test measures candidate's tendencies towards the people, situation, action and related things. For example, morale study, values study, social responsibility study expresses attitude test and the like are conducted to measure the attitude of the candidate.

### 2. Explain the important methods of interview.(Any 5)

#### i) Preliminary Interview

- ✓ This interview is conducted to know the general suitability of the candidates who have applied for the job.
- ✓ Team of experts conducts their interview primarily to eliminate those who are unqualified and unfit candidates.

#### ii) Structure/Guided/Planned Interview

- ✓ A series of question to be asked by the interviewer are pre-prepared by the interviewer and only these questions are asked in the interview.
- ✓ Ultimately interviewees are ranked on the basis of score earned by the candidate in the interview.

#### iii) Unstructured Interview

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

#### iv) In depth Interview

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

#### v) Panel Interview

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

- ✓ All panel members ask different types of questions on general areas of specialization of the candidate.
- ✓ Each an every member awards marks for the candidate separately. At the end, the marks awarded by all the members are aggregated and the candidates are ranked accordingly.
- ✓ This method eliminates bias in selection process.

#### vi) Stress Interview

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

#### vii) Telephone Interview

Where the candidates live far away from organization and find it difficult to attend preliminary interview for various reasons, telephone interview is conducted by some organization to eliminate unfit and unsuitable candidate at the preliminary stage itself.

### 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.

#### 4. Aware about the Penalties:

- ✓ The employee should also be made aware of the penalties if he / she commits a wrong or lapse.

#### 5. Loyalty and Co-operation:

- ✓ When placing new recruit on the job, an effort should be made to develop a sense of loyalty and co-operation in him, so that he/ she may realise his/her responsibilities better towards the job and the organization.
- ✓ Placement is not an easy process. It is very difficult for an new employee, who cannot be expected to be not familiar with the job and environment. For this reason, the employee is generally put on a probation/trial period ranging from one year to two years.
- ✓ After completion of the probation period, if the employee shows a better performance, he/she is confirmed at the job as a regular employee of the organization.

**4. Differentiate Recruitment and Selection.**

SL.NO	Basis of Comparison	Recruitment	Selection
1	Meaning	Recruitment is an activity of searching candidates and encouraging them to apply for it	Selection refers to the process of selecting the suitable candidates and offering them job.
2	Approach	Approach under recruitment is positive one.	Approach under selection is negative one
3	Objective	Inviting large number of candidates to apply for the vacant post	Picking up the most suitable candidates and eliminating the rest
4	Sequence	First	Second
5	Method	It is an economical method	It is an expensive method
6	Process	Recruitment process is very simple	Selection process is very complex and complicated

**Chapter 12: EMPLOYEE TRAINING METHOD****I. Very Short Answer Questions:****1. What is meant by training?**

- ❖ Training is the act of increasing / enhancing the new skill of problem solving activity and technical knowledge of an employee for doing the jobs them self. Training enables the employees to guide their behaviour.

**2. What is Mentoring training method?**

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

**3. What is Role play?**

- ❖ Under this method trainees are explained the situation and assigned roles.
- ❖ They have to act out the roles assigned to them without any rehearsal.
- ❖ There are no pre-prepared dialogues.
- ❖ Thus they have to assume role and play the role without any preparation.

**4. State e-learning method?**

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

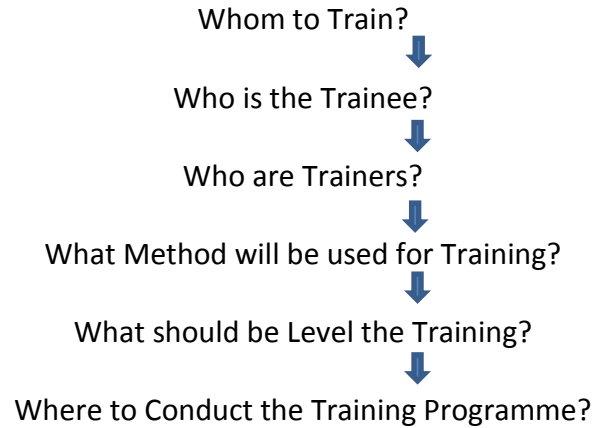
**II. Short Answer Questions:****1. What is vestibule training?**

- ❖ Vestibule training is training of employees in an environment similar to actual work environment artificially created for training purpose.
- ❖ This type of training is given to avoid any damage or loss to machinery in the actual place by trainees and avoid disturbing the normal workflow in the actual workplace.
- ❖ It is given to Drivers, Pilots, Space Scientists etc.,

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

- ❖ On the job training refers to the training which is given to the employee at the work place by his immediate supervisor.
- ❖ It is based on the principle of “Learning by Doing and Learning While Earning”.
- ❖ On the job training is suitable for imparting skills that can be learnt in a relatively short period of time.

## 3. Write down various steps in a training programme.



## 4. Write short note on trainer and trainee.

### Trainer:

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

### Trainee:

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

## III. Long Answer Questions:

### 1. Discuss various types of training.

#### (I) On the Job Training:

On the job training refers to the training which is given to the employee at the work place by his immediate supervisor.

#### i) Coaching Method:

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

#### ii) Mentoring method:

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

#### iii) Job Rotation Method:

- Under this method a trainee is periodically shifted from one work to another work and from one department / division to another department / division for a particular period of time.
- The main aim of job rotation is to expose the employee to various inter related jobs



**iv) Job Instruction Techniques (JIT) Method:**

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

**v) Apprenticeship Training Method:**

- The apprentice or trainee learns the job knowledge and skills from the trainer or superior or senior worker.
- This duration of this training programme ranges from one to five years. The trainee gets the stipend during the training period.

**(II) Off the Job Training**

Off the job training is the training method where in the workers/employees learn the job role away from the actual work floor.

**i) Lecture Method:**

- Under this method trainees are educated about concepts, theories, principles and application of knowledge in any particular area.
- Trainer may be generally drawn from Colleges, Universities, Consultancies, etc.,
- They impart training effectively by their oratorical skill, knowledge and practical knowledge using audio visual tools.

**ii) Group Discussion Method:**

- Participants are divided into various groups; they were provided a particular issue for deliberation.
- Each group has to prepare solution after deep discussion with their group members.
- The group leader has to present the solution to the audience, which will be discussed or deliberated by other groups.

**iii) Case Study Method**

- Trainees are described a situations which stimulate their interest to find solution.
- They have to use their theoretical knowledge and practical knowledge to find solution to the problem presented. There is no single solution to the problem, It may vary depending upon view points of trainees.

**iv) Role Play Method:**

- Under this method trainees are explained the situation and assigned roles.
- They have to act out the roles assigned to them without any rehearsal, there are no pre-prepared dialogues.
- Thus they have to assume role and play the role without any preparation.

**v) Seminar/Conference Method:**

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

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

SL.NO	BASIS	On the Job Training	Off the Job Training
1	Meaning	The employee learns the job in the actual work environment.	Off the Job training involves the training of employees outside the actual work location
2	Cost	It is cheapest to carry out	It requires expenses like separate training rooms, specialist, resources like projectors.
3	Location	At the work place	Away from the work place
4	Approach	Practical approach	Theoretical approach



5	Principle	Learning by performing	Learning by acquiring knowledge
6	Carried out	It is carried out by the experienced employee	Training which is provided by the experts.
7	Methods	Coaching, job rotation, apprenticeship, mentoring, etc	Role –plays , seminar, lectures, case studies, etc

### 3. Explain the benefits of training.

#### (i) Benefits to the Organization

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

#### (ii) Benefits to the Employees

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

#### (iii) Benefits of Customer

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

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## Chapter 13: CONCEPT OF MARKETING AND MARKETER

### I. Very Short Answer Questions:

#### 1. What is Market?

- ✓ It is a medium or place to interact and exchange goods and services.
- ✓ In simple words, the meeting place of buyers and sellers in an area is called Market.

#### 2. Define Marketer.

“A person whose duties include the identification of the goods and services desired by a set of consumers, as well as the marketing of those goods and services on behalf of a company”.

- Business Dictionary

#### 3. What is mean by Regulated Market?

- ✓ These are types of markets which are organised, controlled and regulated by statutory measures.

Example: Stock Exchanges of Mumbai, Chennai, Kolkata etc.

**4. What is meant by spot market?**

In such markets, goods are exchanged and the physical delivery of goods takes place immediately.

**5. What is meant by Commodity Market?**

- ✓ A commodity market is a place where produced goods or consumption goods are bought and sold.

Commodity markets are sub-divided into:

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

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

The dynamic items that can be marketed are listed below:

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

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

As an instigator, marketer keenly watches the developments taking place in the market and identifies marketing opportunities emerging in the ever changing market.

**ii. Innovator**

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

**iii. Implementer**

Marketer plays a role of implementer when he/she actually converts marketing opportunities into marketable product with the help of several functional teams put in place in the organisation.

**3. Marketer is an innovator? Do you agree?**

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

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

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

**ii. Short Period Market:**

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

**iii. Long Period Market:**

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

**5. List down the functions of Marketer?**

- ✓ Gathering and Analysing market information
- ✓ Market planning

- ✓ Product Designing and development
- ✓ Standardisation and Grading
- ✓ Packaging and Labelling
- ✓ Branding
- ✓ Customer Support Services

### III. Long Answer Questions:

#### 1. How the market can be classified?

##### I. On the Basis of Geographical Area

##### a. Family Market:

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

##### b. Local Market:

Participation of both the buyers and sellers belonging to a local area or areas, may be a town or village, is called as local market. The demands are limited in this type of market. For example, perishable goods like fruits, fish, vegetables etc.

##### c. National Market:

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

##### d. International Market or World Market:

World or international market is one where the buyers and sellers of goods are from different countries i.e., involvement of buyers and sellers beyond the boundaries of a nation.

##### II. On the Basis of Commodities/Goods

##### a. Commodity Market:

A commodity market is a place where produced goods or consumption goods are bought and sold. Commodity markets are sub-divided into:

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

##### b. Capital Markets:

New or going concerns need finance at every stage. Their financial needs are met by capital markets. They are of three types:

- i. Money Market
- ii. Foreign Exchange Market
- iii. The Stock Market

##### III. On the Basis of Economics

##### a. Perfect Market:

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

- i. Large number of buyers and sellers are there.
- ii. Prices should be uniform throughout the market.etc..

##### b. Imperfect Market:

A market is said to be imperfect when

- i. Products are similar but not identical.
- ii. Prices are not uniform.
- iii. There is lack of communication. Etc

##### IV. On the Basis of Transaction

##### i. Spot Market:

In such markets, goods are exchanged and the physical delivery of goods takes place immediately.

**ii. Future Market:**

In such markets, contracts are made over the price for future delivery. The dealing and settlement take place on different dates.

**V. On the Basis of Regulation****i. Regulated Market:**

These are types of markets which are organised, controlled and regulated by statutory measures.

**ii. Unregulated Market:**

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

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

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

**ii. Short Period Market:**

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

**iii. Long Period Market:**

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

**VII. On the Basis of Volume of Business****i. Wholesale Market:**

In wholesale market goods are supplied in bulk quantity to dealers/retailers. The goods and services are not sold to customers directly.

**ii. Retail Market:**

In retail market the goods are purchased from producer or wholesales and sold to customers in small quantities by retailers.

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

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

**ii. Secondary Market:**

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

**iii. Terminal Market:**

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

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

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

- i. Large number of buyers and sellers are there.
- ii. Prices should be uniform throughout the market.
- iii. Buyers and sellers have a perfect knowledge of market.
- iv. Goods can be moved from one place to another without restrictions.
- v. The goods are identical or homogenous.

It should be remembered that such types of markets are rarely found.

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

- i. Products are similar but not identical.

- ii. Prices are not uniform.
- iii. There is lack of communication.
- iv. There are restrictions on the movement of goods.

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## Chapter 14: MARKETING AND MARKETING MIX

### I. Very Short Answer Questions:

#### 1. What is marketing?

Marketing is the performance of buying activities that facilitate to more flow of goods and services from producer to ultimate user.

#### 1. Define Marketing Mix.

"Marketing mix is a pack of four sets of variables namely product variable, price variable, promotion variable, and place variable".

- Mr. Jerome McCarthy

#### 3. What is meant by Grading?

Grading means classification of standardized products in to certain well defined classes.

#### 4. Define Product.

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

- Philip Kotler.

### II. Short Answer Questions:

#### 1. What are the objectives of marketing?

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

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

##### Need for Market:

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

##### Concept of marketing:

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

#### 3. What are the factors affecting Price of Product?

##### a. Internal Factors:

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

##### b. External Factors:

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

**4. What do you mean by marketing mix? Describe any two elements.**

- ✓ Marketing mix means a marketing programme that is offered by a firm to its target consumers to earn profits through satisfaction of their wants.
- ✓ Such a marketing programme is a mixture of four ingredients, namely Product mix, Price mix, Place (Distribution) mix and Promotion mix.

**Two elements:****i. Product**

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

**ii. Price**

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

**III. Long Answer Questions:****1. Discuss about the Evolution of marketing.****i. Barter System:**

The goods are exchanged against goods, without any other medium of exchange, like money.

**ii. Production Orientation:**

This was a stage where producers, instead of being concerned with the consumer preferences, concentrated on the mass production of goods for the purpose of profit.

**iii. Sales Orientation:**

The stage witnessed major changes in all the spheres of economic life. The selling became the dominant factor, without any efforts for the satisfaction of the consumer needs.

**iv. Marketing Orientation:**

- ✓ Customers' importance was realised but only as a means of disposing of goods produced.
- ✓ Competition became more stiff. Aggressive advertising, personal selling, large scale sales promotion etc. are used as tools to boost sales.

**v. Consumer Orientation:**

Under this stage only such products are brought forward to the markets which are capable of satisfying the tastes, preferences and expectations of the consumer satisfaction.

**vi. Management Orientation:**

The marketing function assumes a managerial role to co-ordinate all interactions of business activities with the objective of planning, promoting and distributing want-satisfying products and services to the present and potential customers

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

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

- ✓ Marketing adds value of goods by changing their ownership and by changing their time and place of consumption.

#### **b) To the Individual Firms**

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

### **3. Narrate the Elements of Marketing mix.**

#### **i. Product**

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

#### **ii. Price**

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

#### **iii. Place (Physical Distribution)**

- ✓ The fourth element of product mix, namely place or physical distribution facilitates the movement of products from the place of manufacture to the place of consumption at the right time.

#### **iv. Promotion**

- ✓ An excellent product with competitive price cannot achieve a desired success and acceptance in market, unless and until its special features and benefits are conveyed effectively to the potential consumers

## **CHAPTER 15: RECENT TRENDS IN MARKETING**

### **I. Very Short Answer Questions:**

#### **1. What is E business?**

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

#### **2. What is green marketing?**

Green marketing involves developing and promoting products and services which satisfy customers' wants and needs for quality, performance, affordable pricing and convenience – all without causing a detrimental impact on the environment.

#### **3. What is service marketing?**

A service is any activity or benefit that one party can offer to another which is essentially intangible and which does not result in the ownership of anything like business and professional services insurance, legal service, medical service etc.



**4. Define E-Marketing.**

“E-Marketing is achieving marketing objectives through use of digital technologies like Internet, word wide web, email, wireless media, and management of digital customer data and electronic customer management systems (E-CRM)”

-Judy Strauss

**5. What is E-Tailing?**

- E-tailing or electronic retailing refers to selling of goods and services through a shopping website (internet) or through virtual store to the ultimate consumer.
- The customer receives the product at their preferred address through courier service.

**6. What is Social marketing?**

- Social marketing is a new marketing tool. It is the systematic application of marketing philosophy and techniques to achieve specific behavioural goals which ensure social good.
- Example, Asking people not to smoke in public areas

**II. Short Answer Questions:****1. What are the advantages of E-Marketing?**

1. E - Marketing provides 24 hours and 7 days “24/7” service to its users. So consumer can shop or order the product anytime from anywhere.
2. Direct contact of end consumer by the manufacturers cuts down the substantially intermediation cost. Thus products bought through e-marketing become cheaper.
3. Customer can buy whatever they want/ need just by browsing the various sites.

**2. Discuss the objectives E-Marketing**

The following are the objectives of E-Marketing

1. Expansion of market share
2. Reduction of distribution and promotional expenses.
3. Achieving higher brand awareness.
4. Strengthening database.

**3. Explain in detail about Niche marketing.**

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

**III. Long Answer Questions:****1. Explain in detail how traditional marketing differ from E-marketing**

E-Marketing	Traditional Marketing
It is very economical and faster way to promote the products.	It is very expensive and takes more time to promote product.
It is quiet easier for promoting product globally in the short time.	It is very expensive and time consuming to promote product/ service under traditional marketing.
E-Business enterprises can expand their operation with minimum manpower.	It needs more man power.
In this marketing product can be sold or bought 24 x 7, round the year with minimum manpower	That is not possible in traditional marketing.

## 2.Explain advantages and disadvantages of E-Marketing

### Advantages:

1. Any Time market: E - Marketing provides 24 hours and 7 days "24/7" service to its users. So consumer can shop or order the product anytime from anywhere.
2. Direct contact of end consumer by the manufacturers cuts down the substantially intermediation cost. Thus products bought through e-marketing become cheaper.
3. Customer can buy whatever they want/ need just by browsing the various sites.

### Disadvantages:

1. High Cost for E- marketing which requires a strong online advertising campaign a for which company has to spend large amount.
2. It is not suitable for small size business and also deters customers from buying who lives on long distances.
3. While the number of customers are continuously growing, companies hardly update the information on website.
4. Many buyers are suspicious about the security of the internet. As a result, many visitors of business web sites, do not like to use their credit card to make a purchase.

## 3. Discuss any two new methods of marketing .

### 1.Viral marketing :

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

#### Advantages:

##### Low cost:

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

##### Potential of great reach:

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

##### It is not invasive:

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

##### It helps build up your brand:

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

### 2.Niche Marketing:

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

#### Advantages:

##### Less competition :

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

##### Brand loyalty :

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

**Best for giving marketing insight:**

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

**Wide Reach:**

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

**CHAPTER 16: CONSUMERISM****I. Very Short Answer Questions:****1. Who is a consumer?**

A consumer is one who consumes goods manufactured and sold by others or created (air, water, natural resources) by nature and sold by others. One, who avails services such as banking, transport, insurance, etc., is also called a consumer.

**2. Define Consumerism.**

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

**3. Give two examples of adulteration.**

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

**4. What is Caveat Emptor?**

- 'Caveat emptor' is a Latin term that means "let the buyer beware."
- the principle of caveat emptor serves as a warning to the buyers that they have no recourse with the seller if the product does not meet their expectations

**5. What is Caveat Venditor?**

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

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

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

**II. Short Answer Questions:****1. What are the important legislations related to consumerism in India?**

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

**2. What is meant by artificial scarcity?**

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

**3. Write the importance of consumerism.**

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

**III. Long Answer Questions:****1. How consumers are exploited?****1. Selling at Higher Price**

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

**2. Adulteration**

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

**3. Duplicate or Spurious goods**

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

**4. Sub-standard**

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

**5. Warranty and Services**

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

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

**2. Explain the role of business in consumer protection.****1. Avoidance of Price Hike**

Business enterprises should stop from hiking the price in the context of critical shortage of goods /articles.

**2. Avoidance of Hoarding**

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

**3. Guarantees for Good Quality**

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

**4. Product Information**

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

**5. Truth in advertising**

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

## 6. Consumer Grievances

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

### 3. What are the needs for consumer protection?

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

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

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

### Activation of Consumer Action Councils

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

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

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

**6. Write about five important consumer legislations.**

1. **The Indian Contract Act, 1872** was passed to bind the people on the promise made in the contract.
2. **The Agricultural Products Grading and Marketing Act, 1937** ensures the supply of agricultural commodities at high quality.
3. **The Prevention of Food Adulteration Act, 1954** checks the adulteration of food articles and ensures purity of goods supplied and thus protects the health of consumers.
4. **The Trademark Act, 1999** prevents the use of fraudulent marks on the product.
5. **The Competition Act, 2002** protects the consumers against unhealthy competition.
6. **The Drugs and Cosmetics Act, 1940** ensures the safety of drugs and cosmetics sold in India.
7. **The Food Safety Standard Act, 2006** regulates the manufacture, storage, and distribution of food in safe and wholesome condition to consumers.

**CHAPTER 17: RIGHTS, DUTIES & RESPONSIBILITIES OF CONSUMER****I. Very Short Answer Questions:****1. Write short notes on: "Right to be informed."**

- ❖ Consumers should be given all the relevant facts about the product so that they can take intelligent decisions on purchasing the product.
- ❖ The package should contain the full details about the name of the product, composition, dosage, date of manufacturing, date of expiry, batch number, warnings, antidote etc.
- ❖ Manufacturer and the dealer are expected to disclose all the material facts relevant and relating to the product.

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

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

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

The former president of U.S.A Mr. John F. Kennedy defined the basic consumer rights as "The Right of Safety, the Right to be informed, the Right to choose and the Right to be heard."

**4. Which is the supreme objective of business?**

- ❖ The modern marketing concept recognises that the consumer is the pivotal point around which the business moves.

- ❖ Satisfaction of consumer needs/requirements is stated to be supreme objective of a business.

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

- ❖ It is the responsibility of a consumer to purchase a product after gaining a thorough knowledge of its price, quality and other terms and conditions.
- ❖ The consumer should enquire about the price from certain shops and if possible from government stores to get an idea of its price.

**II. Short Answer Questions:**

**1. What do you understand by “Right to redressal”.**

- ❖ The complaints and protests are not just to be heard: but the aggrieved party is to be granted compensation within a reasonable time period.
- ❖ There should be prompt settlement of complaints and claims lodged by the aggrieved customers.
- ❖ This will boost consumer confidence and help render justice to buyers.
- ❖ There should be fair settlement of deserving claims in a definite timeframe.

**2. What do you understand about “Right to protection of health and safety”.**

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

**III. Long Answer Questions:**

**1. What are the rights of consumers?**

**Right to protection of health and safety:**

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

**Right to be informed:**

- ❖ Consumers should be given all the relevant facts about the product so that they can take intelligent decisions on purchasing the product.
- ❖ The package should contain the full details about the name of the product, composition, dosage, date of manufacturing, date of expiry, batch number, warnings, antidote etc.

**Right to redressal:**

- ❖ The complaints and protests are not just to be heard: but the aggrieved party is to be granted compensation within a reasonable time period.
- ❖ There should be prompt settlement of complaints and claims lodged by the aggrieved customers.

**Right to Consumer Education:**

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



**Right to Basic Needs:**

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

**Right to Consumer Protection:**

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

**2. Explain the duties of consumers.****Buying Quality Products at Reasonable Price:**

- ❖ It is the responsibility of a consumer to purchase a product after gaining a thorough knowledge of its price, quality and other terms and conditions.
- ❖ The consumer should enquire about the price from certain shops and if possible from government stores to get an idea of its price.

**Ensure the Weights and Measurement before Making Purchases:**

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

**Reading the Label Carefully:**

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

**Beware of False and Attractive Advertisements:**

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

**Ensuring the Receipt of Cash Bill:**

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

**Buying from Reputed Shops:**

- ❖ It is advisable for the consumer to make purchase from the reputed shops or government shops like super bazaar, cooperative stores, and the like.

**3. What are the responsibilities of consumers?**

1. The consumer must pay the price of the goods according to the terms and conditions of the sales contract.
2. The consumer has got a responsibility to apply to the seller for the delivery of the goods. He/she has to take delivery of the goods in time.
3. The consumer has to bear any loss, which may arise to the seller when the consumer delays taking delivery of the goods as per the terms of contract.
4. The consumer is bound to pay any interest and special damages caused to the seller in case if there is delay in the payment.
5. The consumer has to assiduously follow and keenly observe the instructions and precautions while using the products.
6. The consumer has the responsibility to express unambiguously to the seller of his requirements and expectations from the product.
7. The consumer must seek to collect complete information about the quality, quantity, price etc of the product before purchasing it.
8. The consumer must get cash receipt as a proof of goods purchased from the seller.

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

## CHAPTER 18: GRIEVANCE REDRESSAL MECHANISM

### I. Very Short Answer Questions:

#### 1. What do you meant by Redressal Mechanism?

- Grievance Redressal is a management and governance related process used commonly in India.
- While the term "Grievance Redressal" primarily covers the receipt and processing of complaints from citizens and consumers
- A wider definition includes actions taken on any issue raised by them to avail services more effectively.

#### 2. What do you know about National Commission?

- National Commission 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.

#### 3. 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.
- The State Commission is to be appointed by the State Government function as state level.

#### 4. What is a term District Forum?

- As per the Consumer Protection Act of 1986 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.

#### 5. How to register the complaints?

1. Complaint can be registered within 2 years from the date on which the cause of action has arisen, to the date on which the completion from the deficiency in service.
2. Stamp paper is not required for declaration
3. Complaint can be registered, in person, by the complainant or through his authorised agent or by post addressed to the Redressal Agency.
4. Advocates are not necessary.

### II. 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 entire state and where the value of the goods or services and the compensation, if any claimed exceed Rs. 20 lakhs and below Rupees One Crore.

2. The State Commission also has the jurisdiction to entertain appeals against the orders of any District Forum within the State.

**4. Who are the members of the State Commission?**

1. A person who is or has been a Judge of a High Court appointed by the State Government as its President.

2. Two other members who shall be persons of ability, integrity and standing and have adequate knowledge or experience of or have shown capacity in dealing with problems relating to economics, law, commerce, industry, public affairs or administration of them, one shall be a woman.

**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

**III. Long Answer Questions:****1. Explain the overall performance of the National Commission?**

- National Commission 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.

**Members:**

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 than 1 Crore.
2. Revised the orders of State Commissions.
3. To call for the records and pass appropriate orders from the State Commission and District Forum.

**2. Explain the overall performance of 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.
- The State Commission is to be appointed by the State Government function as state level.

**Members**

Each State Commission shall consist of the following members.

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

**Jurisdiction**

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

**Powers:**

The following are the powers of the State Commission.

1. The State Commission also has the power to call for the records and pass appropriate orders in any consumer dispute which is pending before or has been decided by any District 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 or commodities as may be required and to keep such books, documents, etc., under his custody for the purposes of the Act.
3. To furnish such information that may be required for the purposes of the Act to any officer so specified.

**3. What is Voluntary Consumer Organisations? Explain its Functions.**

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

**Objectives**

- ✓ The primary objective of the Consumer Welfare Fund is to strengthen the Consumer Advocacy Movement in India.
- ✓ Voluntary Consumer Organisation is doing commendable work to raise awareness amongst consumers.
- ✓ To strengthen consumer protection and welfare and to provide counselling, guidance and mediation services.
- ✓ Steps have been taken to enhance transparency and to digitalise the government's interface with its citizens

**Functions**

- i) Collecting Data on Different Products and testing them
- ii) Filing Suit on Behalf of Consumers
- iii) Organising Protests against Adulteration etc.
- iv) Helping Educational Institutions
- v) Promoting Network of Consumer Association
- vi) Extending Support to Government

## CHAPTER 19: ENVIRONMENTAL FACTORS

### I. 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.
- ❖ These factors can be changed or altered and hence are known as controllable factors.

#### 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.
- ❖ It gives guidelines for internal control, performance measurement and corporate disclosure.

#### 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.
- ❖ Types of taxes: CGST,SGST,IGST

#### 5. Expand VUCA.

- ❖ **VUCA – Volatility, Uncertainty, Complexity and Ambiguity,**

### II. Short Answer Questions:

#### 1. 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

#### 2. Write about any three internal environmental factors of business.

##### Vision and objectives:

- ❖ The vision and objectives of a business guides its operations and strategic decisions.

##### Management structure:

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

##### Company image:

- ❖ The image of an organisation plays an important role in introducing new products, expanding and entering new markets both domestic and international, raising finance etc.

#### 3. State the framework of Corporate Governance in India.

- i) To have independent directors on the board; at least one third of the directors have to be independent directors.
- ii) To have at least one independent woman director,
- iii) To disclose all deals and payments to related parties.
- iv) To disclose details of managerial compensation

- v) CEO and CFO to sign stating that the governance norms have been complied with in the financial statements.

#### 4. What are the functions of the GST council?

- ❖ Goods & Services Tax Council is a constitutional body for making recommendations to the Union and State Government on issues related to Goods and Service Tax.
- ❖ The Goods and Services Tax Council shall make recommendations to the Union and the States on
  - ✓ The goods and services that may be subjected to, or exempted from the goods and services tax
  - ✓ The rates including floor rates with bands of goods and services tax
  - ✓ Any special rate or rates for a specified period, to raise additional resources during any natural calamity or disaster

#### 5. What do you know about Technological environment?

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

### III. Long Answer Questions:

#### 1. Discuss the role of macro environment of business.

The success of a business is dependent on its ability to adapt to the macro environment, since these

are uncontrollable factors.

##### i) Economic environment:

The business is an integral part of the economic system prevalent in a nation. It includes

- ✓ The nature of economy based on the stage of development.
- ✓ The nature of economic system The economic systems can be classified as Capitalistic, Socialistic and Mixed economy.
- ✓ The economic policies of a nation Monetary policy, fiscal policy etc..
- ✓ The Economic indices like GDP, GNP national income, et..

##### ii) Socio-Cultural environment:

- ✓ Business is a part of the society. Social environment refers to the sum total of factors of the society in which the business is located.
- ✓ Social and cultural environment of society affects the business.

##### iii) Political and Legal environment:

- ✓ 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.

##### iv) Geo-physical environment:

The natural, geographical and ecological factors have a bearing on the business. These are as follows;

- ✓ the availability of natural resources like minerals oil .etc
- ✓ the weather and climatic conditions
- ✓ Availability of natural harbours and port facilities for transporting goods etc..

##### v) Technological environment:

- ✓ The development in the IT and telecommunications has created a global market.

- ✓ Technology is widely used in conducting market research for understanding the special needs of the customer.

**vi) Global environment:**

- ✓ With the rapid growth of technology the physical boundaries are fast disappearing and the new global market is emerging.
- ✓ The international environmental factors which affects a business

**2. Describe the economic environment of business.**

**i) Economic environment:**

The business is an integral part of the economic system prevalent in a nation. The multiple variables in the

macro environment system which has a bearing on a business include

- ✓ The nature of economy based on the stage of development. The countries across the globe can be categorised on the basis of growth and per capita income as developed nations, developing nations and underdeveloped nations.
- ✓ The nature of economic system The economic systems can be classified as Capitalistic, Socialistic and Mixed economy.
- ✓ The economic policies of a nation Monetary policy, fiscal policy, Export-import policy, Industrial policy Trade policy, Foreign exchange policy etc are part of the economic environment.
- ✓ Development of financial market The organisation and development of money market, capital market securities market and, the banking system has a greater impact.

**3. Explain the micro environmental factors of business.**

This refers to those factors which are in the immediate environment of a business affecting its performance. These include the following:

**i) Suppliers:**

- ✓ In any organisation the suppliers of raw materials and other inputs play a very vital role.
- ✓ Organisations have realised the importance of nurturing and maintaining good relationship with the suppliers.

**ii) Customers:**

- ✓ The aim of any business is to satisfy the needs of its customers. The customer is the king business.
- ✓ Customer relationship management aims at creating and sustaining cordial relations with customers.

**iii) Competitors:**

- ✓ All organisations face competition at all levels local, national and global.
- ✓ Competitors may be for the same product or for similar products.
- ✓ It is important for a business to understand its competitors and modify their business strategies in the face of competition.

**iv) Marketing Channel members:**

- ✓ The marketing inter-mediaries serve as a connecting link between the business and its customers.
- ✓ Market research agencies help the firm to understand the needs of the customers

**v) Public:**

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



- ✓ The public group has the ability to make or mar a business. Many companies had to face closure due to actions by local public.

## CHAPTER 20: LIBERALIZATION, PRIVATISATION, AND GLOBALIZATION

### I. Very Short Answer Questions:

#### 1. State the branches of New Economic Policy.

There are three dimensions of New Economic Policy

- Liberalization, Privatisation, And Globalization

#### 2. What is Privatisation?

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

#### 3. Mention any two disadvantages of Liberalisation.

- (a) Increase in unemployment
- (b) Loss to domestic units
- (c) Increased dependence on foreign nations
- (d) Unbalanced development

#### 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 two advantages of Globalisation.

- (a) Increase in foreign collaboration
- (b) Expansion of market
- (c) Technological development
- (d) Reduction in brain drain

### II. 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.

#### 2. What is meant by Public Sector Units (PSUs)?

A state owned enterprise in india is called a public sector undertaking(PSU). Those companies are owned by the union government of india or one of the many state or territorial governments or both. The company stock needs to be majority owned by the government to be a PSU.

#### 3. 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) can manufacture, buy and sell goods worldwide.
- (c) Globalisation has led to a boom in consumer products market.

#### 4. 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.

### III. Long Answer Questions:

#### 1. Explain the advantages and disadvantages of liberalisation.

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

##### Advantages:

##### **(a) Increase in foreign investment:**

- ✓ If a country 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 tariff barriers can lead to lower prices for consumers. This would be particularly a benefit for countries who are importers.

##### Disadvantages:

##### **(a) Increase in unemployment:**

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

##### **(c) Increased dependence on foreign nations:**

- ✓ Trade liberalisation means firms will face greater competition from abroad.

##### **(d) Unbalanced development:**

- ✓ Trade liberalisation may be damaging for developing economies, The trade liberalisation often benefits developed countries rather than developing economies.

#### 2. Explain the impact of LPG on Indian Economy.

##### **Impact of Liberalization:**

- ✓ Liberalization has opened up new business opportunities abroad and increased foreign direct investment.
- ✓ It became very easy to obtain loans from banks for business expansion.

- ✓ "Foreign Collaboration" is the latest outcome of liberalization.
- ✓ A number of multinational companies started operating world-wide including India.

#### **Impact of Privatization**

- ✓ Privatization has a positive impact on the financial growth by decreasing the deficits and debts.
- ✓ Increase in the efficiency of government undertakings.
- ✓ Provide better goods and services to the consumers.
- ✓ Making way for Foreign Direct Investment (FDI)

#### **Impact of Globalization**

- ✓ Corporations got a competitive advantage from lower operating costs, and access to new raw materials and additional markets.
- ✓ Multinational corporations (MNCs) can manufacture, buy and sell goods worldwide.
- ✓ Globalization has led to a boom in consumer products market.
- ✓ The advent of foreign companies and growth in economy has led to job creation.

## **CHAPTER 21: THE SALE OF GOODS ACT 1930**

### **I. Very Short Answer Questions:**

#### **1. What is a contract of sale of goods?**

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

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

- (1) Two Parties
- (2) Transfer of Property
- (3) Goods
- (4) Price
- (5) Includes both 'Sale' and 'Agreement to Sell'

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

- ❖ The subject matter of contract of sale must be goods.
- ❖ 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.
- ❖ Eg. 'A' agrees to sell a particular painting work, provided he gets from 'C'.

#### **5. What do you understand by warranty?**

- ❖ Warranty represents a requirement which is collateral to the main purpose of the contract. It is of secondary importance to the contract.
- ❖ The violation of warranty entitles the affected party to claim damages or compensation from the other party. But he cannot cancel the contract altogether.

### **II. Short Answer Questions:**

#### **1. Explain the meaning of 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.
- ❖ On the other hand, if the transfer of property takes place at a future date or on fulfilment of certain conditions, it is called 'an agreement to sell'.

## 2. Discuss in detail about existing goods.

Existing goods are those owned or possessed by the seller at the time of contract of sale. Goods possessed even refer to sale by agents or by pledgers.

Existing goods may be either

- (i) **Specific Goods**-Specific goods denote goods identified and agreed upon at the time of contract of sale.
- (ii) **Ascertained Goods**-The goods which become ascertained subsequent to the formation of the contract.
- (iii) **Generic or Unascertained Goods**-These are goods which are not identified and agreed upon at the time of contract of sale.

## 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 and warranties means which can be indirect from or guessed from the context of the contract. Following are the **implied conditions**:

- 1. Conditions as to Title
- 2. Conditions as to Description
- 3. Sale by Sample
- 4. Conditions as to Quality or Fitness

### Implied Warranties:

- (i) Quiet Possession
- (ii) Free from Any Encumbrances
- (iii) Warranty in the case of Dangerous Goods

## III. 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 the seller should be two different persons.
- If a person buys his own goods, there is no sale.
- When the goods of a person are sold in execution of a decree, he himself may buy the goods to retain their ownership.

#### (2) Transfer of Property

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

#### (3) Goods

- The subject matter of contract of sale must 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.
- If the transfer of property takes place at a future date or on fulfilment of certain conditions, it is called 'an agreement to sell'.

**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	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.
3	Risk of Loss	Where the goods sold under the contract of sale are destroyed, the loss falls squarely on the buyer.	Where the goods under the agreement to sell are destroyed, the loss falls squarely on the seller.
4	Consequences of violating the contract	Where the buyer fails to pay the price, the seller cannot seize the goods.	Where the buyer violates the contract, the seller can repossess the goods from the buyer.
5	Insolvency of the Buyer	If a buyer becomes insolvent before he pays for the goods, the seller handover to the goods to official receiver and claim the amount.	If the buyer becomes insolvent before the payment of the price, the seller can retain 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 assignee.	The buyer cannot do so.

**3. Classify goods under the Sale of Goods Act.**

- The term goods mean every kind of movable property other than actionable claim and money.
- The term good includes shares, stocks, growing crops, grass, goodwill, copyright, trade mark, patents, water, gas, electricity, power etc., under the contract of sale.

**1. Existing Goods:**

Existing goods are those owned or possessed by the seller at the time of contract of sale. Goods possessed even refer to sale by agents or by pledgers.

Existing goods may be either

- (i) Specific Goods
- (ii) Ascertained Goods
- (iii) Generic or Unascertained 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.

**2. Future Goods:**

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

**3. Contingent Goods**

Contingent goods are the goods, the acquisition of which by the seller depends upon a contingency (an event which may or may not happen). Contingent goods are a part of future 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

**CHAPTER 22: THE NEGOTIABLE INSTRUMENTS ACT 1881****I. Very Short Answer Questions:****1. What is meant by Negotiable Instrument?**

According to Negotiable instruments Act 1881, a negotiable instrument means a promissory note, bill of exchange or cheque payable either to order or to bearer.

**2. Define Bill of Exchange**

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

**3. List three characteristics of a Promissory Note.**

- ✓ A promissory note must be in writing.
- ✓ The promise to pay must be unconditional
- ✓ It must be signed by the maker.

- ✓ The sum payable must be certain and must be specified in the note itself.
- ✓ A promissory note must be sufficiently stamped.

#### 4. Define 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

"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". - Section 15 of the Negotiable instruments Act 1881

### II. Short Answer Questions:

#### 1. Explain the 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 all defects:

Even though the right of the person who transferred the instrument to holder in due course is defective i.e. disintitiled to transfer, the title of the holder in due course is superior. He/ she need not return the bill to true owner.

##### 3. Right of the transferee to sue

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	Meaning	Negotiation refers to the transfer of the negotiable instrument, by a person to another to make that person the holder of it.	Assignment implies the transfer of rights, by a person to another, for the purpose of receiving the debt payment
2	Transfer notice	Not required	Must be served by assignee on his debtor.
3	Title	Transferee gets the right of holder in due course.	Assignee's title is subject to the title of Assignor.
4	Consideration	It is presumed	It is proved

#### 3. What are the characteristics of a bill of exchange?

1. A bill of exchange is a document in writing.
2. The document must contain an order to pay.
3. The order must be unconditional.
4. The instrument must be signed by the person who draws it.
5. The name of the person on whom the bill is drawn must be specified in the bill itself.
6. The bill may be payable on demand or after a specified period.



**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	Bearer Instrument	A bill of exchange can be drawn payable to bearer	A promissory note cannot be drawn payable to bearer.
4	Conditionality	A bill may be accepted conditionally.	A note cannot be made conditional

**5. Discuss the two different types of crossing.****General Cheque Crossing:**

- ✓ The cheque bears across its face an addition of two parallel transverse lines and/or the addition of words 'and Co.' or 'not negotiable' between them.
- ✓ Thus, in this case, the holder of the cheque or the payee will receive the payment only through a bank account and not over the counter.

**Special Cheque Crossing:**

- ✓ The cheque bears across its face an addition of the banker's name, with or without the words 'not negotiable'.
- ✓ In this case, the paying banker will pay the amount of cheque only to the banker whose name appears in the crossing or to his collecting agent.
- ✓ However, in special crossing two parallel transverse lines are not essential but the name of the banker is most important.

**III. Long Answer Questions:****1. Mention the presumptions of Negotiable Instruments.**

1. Every negotiable instrument is presumed to have been drawn, accepted etc. for consideration.
2. A negotiable instrument is presumed to have been accepted.
3. Every negotiable instrument bearing, a date is presumed to have been made or drawn on such a date.
4. It is presumed to have been accepted within a reasonable time after the date and before its maturity.
5. The transfer of a negotiable instrument is presumed to have been made before maturity.
6. The endorsements appearing upon a negotiable instrument are presumed to have been made in the order to which they appear thereon.
7. When a negotiable instrument has been lost, it is presumed to have been duly stamped.
8. The holder of a negotiable instrument is presumed 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	Notice	When a bill is dishonoured, notice of dishonour is necessary.	Notice is not necessary for a cheque.
4	Sets	Foreign bills of exchange are drawn in sets of three.	It is not so in case of cheque.
5	Discounting	A bill can be discounted with a bank.	A cheque cannot be discounted
6	Stamping	Bills are to be sufficiently stamped	Cheques need not be stamped
7	Currency	A bill can be drawn and payable in any currency.	A cheque is payable only in home currency.
8	Crossing	A bill cannot be crossed	A cheque can be crossed either generally or specially so as to ensure payment to the rightful owner.
9	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.

**3. Discuss in detail the features of a cheque.****(i) Instrument in Writings:**

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

**(ii) Unconditional Orders:**

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

**(iii) Drawn on a Specified Banker Only:**

The cheque is always drawn on a specified banker. 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 only money. If the banker is asked to deliver securities, the document cannot be called a cheque.

**(v) Payee to be Certain:**

The cheque must be made payable to a certain person or to the order of a certain person or to the bearer of the instrument.

**(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?**

1. Endorsement is to be made on the face of the instrument or on its back. It is usually made on the back of a negotiable instrument.

2. When there is no space for making further endorsements a piece of paper can be attached to the negotiable instrument for this purpose. This piece of paper is called 'Allonge'.

3. If the endorsee's name is wrongly spelt, the endorsee should sign the same as spelt in the instrument and write the correct spelling within brackets after his endorsement.

4. Endorsement for only a part of the amount of the instrument is invalid. It can be made only for the entire amount.

5. Where, however, the instrument has been partly paid, a note to that effect can be given on the instrument and endorsement made for the balance amount.

6. Endorsement is complete only when delivery of the instrument is made. On the death of the endorser who has endorsed an instrument but has not delivered it to the endorsee, the endorsement becomes invalid.

7. It is presumed that the endorsements appearing on a negotiable instrument were made in the order in which they appear thereon.

8. Signing in block letters does not constitute regular endorsement.

9. The prefixes or suffixes added to the names of the payees or endorsees must be omitted in the endorsement.

10. If the payee is an illiterate person, he can endorse it by affixing his thumb impression on the instrument. But it must be duly attested by somebody who should give his full address thereon.

**5. Explain the different kinds of endorsements****1. Endorsement in Blank / General :**

An endorsement is said to be blank or general when the endorser puts his signature only on the instrument and does not write the name of anyone to whom or to whose order the payment is to be made.

Example: "Pallavan"

**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.

Example: Pay to Paari "Pallavan"

**3. Conditional or qualified endorsement:**

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

Example: 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.

Example: Pay Sundar only "Pallavan"

**5. Facultative Endorsement:**

To make an endorser liable on the instrument, notice of dishonour must be given to him. But if the endorser waives this right by a writing "Notice of dishonour waived" at the time of endorsing, it is called Facultative Endorsement.

Example: Pay to Aruvi or order, Notice of dishonour waived "Radha"

**Chapter 23: ELEMENTS OF ENTREPRENEURSHIP****I. Very Short Answer Questions:****1. Mention any two characteristics of entrepreneurs.****i. Spirit of Enterprise**

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

**2. Self Confidence**

Entrepreneur should have a self confidence in order to achieve high goals in the business.

**2. List down the managerial functions of entrepreneurs.**

- Planning
- Organising
- Directing
- Controlling
- Co ordination

**3. List down the promotional functions of entrepreneurs.**

- Discovery of Idea
- Determining the business objectives
- Detailed Investigation
- Choice of form of enterprise
- Fulfilment of the formalities
- Preparation of Business Plan
- Mobilisation of funds
- Procurement of Machines and Materials

**4. what is meant by Intrapreneur**

- ❖ Intrapreneur is one who thinks and acts like an entrepreneur for the firm's development during the course of employment in an organisation.
- ❖ Intrapreneurs are usually employees of a company who are assigned to a particular project or who are assigned to work on a special idea.

**5. List the challenges faced by the women entrepreneurs**

- Problem of Finance
- Limited Mobility
- Lack of Education
- Lack of Network Support
- Stiff Competition
- Sensitivity
- Lack of Information
- Dependent culture

**II. Short Answer Questions:****1. Define Entrepreneur**

“An entrepreneur is someone who conceives an idea, creates a path to success, does whatever it takes to succeed and tries to dominate their market!”

Matthew Toren

“A person who has so much passion for an idea that they're willing to risk almost everything to make their dream a reality.”

- Jared Tanner

**2. Distinguish between entrepreneur and 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
Status	He/ She is an owner of the entity	salaried employee in the entity
Risk Bearing	bears the risk and uncertainty in operating the enterprise	doesn't bear any risk in the venture
Rewards	Entrepreneur is rewarded by profit for the risk bearing exercise	Manager's reward salary, bonus, allowance is certain and regular.

**3. List down the commercial functions of Entrepreneur and explain them shortly.****(i) Production or Manufacturing**

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

**(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.****(1) Discovery of Idea**

The first and foremost function of entrepreneur is idea generation. Ideas can be generated through several ways like own experience and exposure of entrepreneur, keen observation of environment, education, training, market survey, environmental scanning and so on.

**(2) Determining the business objectives**

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

**(3) Detailed Investigation**

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

**(4) Choice of form of enterprise**

Entrepreneur has to choose the appropriate form of organisation suited to implement the venture. There are various forms of organisation namely sole proprietor, partnership, etc..

**(5) Fulfilment of the formalities****(6) Preparation of Business Plan****(7) Mobilisation of funds****(8) Procurement of Machines and Materials****IV. Long Answer Questions:****1. How do you Classify entrepreneurs.****(i) Entrepreneur as a Risk Bearer**

- 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.
- An entrepreneur to be an economic functionary who undertakes the risk of uncertainty which cannot be insured or capitalised or salaried.

**(ii) Entrepreneur as an Organiser**

- 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.

**(iii) Entrepreneur as an Innovator**

Entrepreneur is one who

- Introduces a brand new product in the market
- Institutes new technology to produce a product
- Discovers new course of supply of raw materials
- Discovers new product hitherto untapped
- Puts in place a new form of organisation by establishing a monopoly or by dismantling existing monopoly.

**2. What are the characteristics of an entrepreneur?****1. Spirit of Enterprise**

- Entrepreneur should be bold enough to encounter risk arising from the venture undertaken.
- Entrepreneur should not get discouraged by setbacks or frustrations emerging during the course of entrepreneurial journey.

**2. Flexibility**

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

**3. 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, etc

**4. Hard work**

- Entrepreneur should put in tireless efforts and constant endeavours to accomplish the goals of the venture successfully.
- They have to courageously face uncertainties, risks and constraints.

**5. Analytical Ability**

- Entrepreneurs should not make decisions on the basis of own prejudice or personal likes and dislikes.
- Entrepreneur should be able to objectively analyse the situation and act accordingly.

**6. Foresight**

- Entrepreneur should have a foresight to visualise future business environment.

**3. Distinguish between an Entrepreneur and an Intrapreneur.**

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

**4. Discuss the challenges 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 they impose stringent condition which discourages women to avail themselves of loan assistance from banks.
- 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.

**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, etc.,
- This reduces the efficiency of operating the business successfully.

**4. Stiff Competition**

- Women entrepreneurs have to face serious competition for their goods from organised sector and from their male counterparts.



- Since they are not able to spend freely due to financial restrictions, they are not able to compete effectively and efficiently in the market.

#### **5. 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.

#### **6. 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.
- This cultural barrier does not allow them to start and manage their ventures according to their free will and pleasure.

### **5. Explain in detail the various functions of an entrepreneur.**

#### **PROMOTIONAL FUNCTIONS:**

##### **(1) Discovery of Idea**

The first and foremost function of entrepreneur is idea generation. Ideas can be generated through several ways like own experience and exposure of entrepreneur, keen observation of environment, education, training, market survey, environmental scanning and so on.

##### **(2) Determining the business objectives**

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

##### **(3) Detailed Investigation**

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

##### **(4) Choice of form of enterprise**

Entrepreneur has to choose the appropriate form of organisation suited to implement the venture. There are various forms of organisation namely sole proprietor, partnership, etc..

##### **(5) Fulfilment of the formalities**

##### **(6) Preparation of Business Plan**

##### **(7) Mobilisation of funds**

##### **(8) Procurement of Machines and Materials**

#### **MANAGERIAL FUNCTIONS:**

##### **(i) 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 defining and delegating authority, distributing responsibility and creating accountability for efficient performance of activities.

##### **(iii) Directing**

- Entrepreneur has to motivate, lead, guide and communicate with subordinates on an ongoing basis in order to accomplish pre-set goals.

##### **(iv) Controlling**

- Entrepreneur has to put in mechanism to evaluate the performance of employees across the organisation.

**(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.

**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, 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, etc..

**(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.

**Chapter 24: TYPES OF ENTREPRENEURS****I. Very Short Answer Questions:****1. What is the other name of 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. Mention the other name for 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.

**3. Who are agricultural entrepreneur?**

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

**4. State the name of the following ventures:**

- |   |   |                        |
|---|---|------------------------|
| a. Started by individuals for profit motive       | : | Motivated Entrepreneur |
| b. Started by Government                          | : | State Entrepreneur     |
| c. Started by individuals and Government together | : | Joint Entrepreneur     |
| d. Started as a family business                   | : | Classical Entrepreneur |

**5. Give some examples of pure entrepreneurs**

- Pure entrepreneurs are individuals who are pushed to enter into venture by psychological and economic motives.

- Example Dhirubai Ambani, Jamshadji Tata, T.V. Sundaram Iyengar, Seshadriji, Birla, Narayanamurthi, Aziz Premji and so on.

## II. 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. How does a professional entrepreneur operate?

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

### 3. Explain about 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

### 4. Write about 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

## III. 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.
- He/she may establish small or large enterprise to commercially exploit his/he idea.

#### 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.
- Their core strength lies in distribution and marketing.
- They get their income by way of commission and marketing.

#### 3. Industrial Entrepreneur

- These are entrepreneurs who manufacture products to satisfy to the needs of consuming public after identifying the need left unfulfilled by the manufacturer yet.
- Industrial entrepreneurs mobilise the resources of various types and create an entity to manufacture the products or service.

#### 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.
- In corporate form of organisation, ownership and management are separated.

**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.
- In short these entrepreneurs pursue their venture in agriculture and allied sector.

**6. Retail Entrepreneurs**

- Retail entrepreneurs are those who enter into venture of distributing the end-product to final consumer while wholesale entrepreneurs take up the venture of distributing the product to retailer.

**7. Service Entrepreneurs**

- Service entrepreneurs enter into the venture of supplying service products to end consumers. Hoteliers, airlines, banking, insurance and financial service providers, etc..

**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 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

## CHAPTER 25: GOVERNMENT SCHEMES FOR ENTREPRENEURIAL DEVELOPMENT

### I. Very Short Answer Questions:

#### 1. Name any four Governmental Entrepreneurial schemes.

- ❖ Startup India
- ❖ Make in India
- ❖ Stand-Up India
- ❖ Dairy Entrepreneurship Development Scheme
- ❖ Single Point Registration Scheme (SPRS)
- ❖ National Skill Development Mission

#### 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. List down the two types 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**.

### II. Short Answer Questions:

#### 1. What is 'Startup India'?

- ❖ Through the Startup India initiative, 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

<b>STEP</b>	:	Support to Training and Employment Programme for Women
<b>JAM</b>	:	Jan Dhan-Aadhaar – Mobile
<b>TREAD</b>	:	Trade related Entrepreneurship Assistance and Development
<b>M-SIPS</b>	:	Modified Special Incentive Package Scheme
<b>SEED</b>	:	Science for Equity Empowerment and Development
<b>New Gen IEDC</b>	:	New Gen Innovation and Entrepreneurship Development

Centre

#### 3. Write a short note on the following

##### a) Dairy Entrepreneurship development scheme.

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

### III. Long Answer Questions:

#### 1. Explain any five Government Entrepreneurial schemes.

##### 1. 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.

##### 2. Startup India:

- ❖ Through the Startup India initiative, 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.

##### 3. Dairy Entrepreneurship development scheme.

- ❖ Dairy Entrepreneurship Development Scheme aims at helping entrepreneurs in the field of Agriculture, pets and animals, to set up small dairy farms
- ❖ Incentives are provided to cover the cost of the required equipment or establishment of the facility.

##### 4. Jan Dhan-Aadhaar - Mobile (JAM):

- ❖ JAM, for the first time, is a technological intervention that enables direct transfer of subsidies to intended beneficiaries.
- ❖ Therefore, eliminates all intermediaries and leakages in the system, which has a potential impact on the lives of millions of Indian citizens.

##### 5. Single Point Registration Scheme (SPRS)

- ❖ A great scheme for Micro and Small Enterprises, which provides an exemption from payment of Earnest Money Deposit (EMD).
- ❖ Under this scheme, the tenders are issued free of cost.

#### 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 scrutiny 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.

##### 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.

**3. Selection of Site:**

Entrepreneur has to choose suitable plot for accommodating his venture.

He has four options 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.

**4. Designing Capital Structure:**

- ❖ Entrepreneur has to determine the source of financ   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.
- ❖ Besides, manufacturing know-how can be obtained by foreign technical collaboration.

**6. 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.

The project report should include the following Technical Feasibility, Economic Viability, Financial Viability, Managerial Competency, Provisional Registration Certificate, Permanent Registration Certificate, Statutory Licence, Power Connection, Arrangement of Finance.

**Chapter 26: Companies Act 2013****I. Very Short Answer Questions:****1. What are the four stages of formation of a company?**

'Formation of a Company' has been divided into four stages:

- 1.Promotion(Preliminary steps - First stage):
- 2.Incorporation or Registration – Second stage
3. Capital Subscription - Third stage
- 4.Commencement of Business : Fourth Stage

**2. What is Share?**

- ❖ A part or portion of a larger amount which is divided among a number of people, or to which a number of people contribute.
- ❖ The total capital of the company is shared by many person and each share is having equal value.



### 3. 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. It can be issued by:

- (i) Making partly paid up shares as fully paid
- (ii) Issuing new shares

### 4. 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.
- ❖ The right shares are primarily issued to the existing equity shareholders through a letter of an issue, on pro rata basis.

### 5. 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.

## II. Short Answer Questions:

### 1. 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'.
- ❖ This account is capital in nature and can only be utilized for the purposes specified by the Act

### 2. Explain different Kinds of Preference shares.

#### 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.

#### 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

### III. Long Answer Questions:

#### 1. Write the difference between Debentures and Shares:

SL.NO	BASIS FOR COMPARISON	SHARES	DEBENTURES
1	Meaning	The shares are the owned funds of the company.	The debentures are the borrowed funds of the company.
2	Holder	The holder of shares is known as shareholder.	The holder of debentures is known as debenture holder.
3	Status of Holders	Owners	Creditors
4	Form of Return	Shareholders get the dividend.	Debenture holders get the interest.
5	Payment of return	Dividend can be paid to shareholders only out of profits.	Interest can be paid to debenture holders even if there is no profit.
6	Security for payment	No	Yes
7	Voting Rights	The holders of shares have voting rights.	The holders of debentures do not have any voting rights.
8	Conversion	Shares can never be converted into debentures.	Debentures can be converted into shares.
9	Return on Allotment	Return of allotment in e-Form No. 2 is to be filed for allotment of shares	Return of allotment is not required for allotment of debentures.
10	Discount	Shares cannot be issued at a discount.	Debentures can be issued at a discount without restrictions.

#### 2. Brief different stages in Formation of a Company.

‘Formation of a Company’ has been divided into four stages:

##### 1. Promotion(Preliminary steps - First stage):

- ❖ Appoint bankers, solicitors, brokers for the company.
- ❖ Prepare the memorandum and the articles of association of the company, get it printed and registered.
- ❖ Find the persons who are ready to sign the memorandum and articles of association.
- ❖ Enter into preliminary contracts with underwriters, suppliers of raw material, plant and machinery etc.

##### 2. 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

### **3. Capital Subscription - Third stage**

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

### **4. Commencement of Business : Fourth Stage**

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

- (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.

## **2. What are the various kinds of Debentures?**

### **1. On the basis of convertibility, Debentures may be classified into following categories:**

#### **(A) Non Convertible Debentures (NCD):**

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

#### **(B) 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.

#### **(C) 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.

**(D) 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.

**(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.
- ✓ 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.

**Chapter 27: Company Management****I. 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.**

- Every Listed Company
- Every Public Company
  - Having paid up share capital of Rs 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.

In the globalised business world the title of President or of Chief Executive Officer is used instead of Managing Director.

**II. Short Answer Questions:****1. When are alternative directors appointed?**

- Alternate director is appointed by the Board of Directors, as a substitute to a director who may be absent from India, for a period which is not less than three months.
- The appointment must be 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.

**2. 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.

**3. 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.

**III. Long Answer Questions:****1. Who are the KMP?**

- ✓ Companies Act, 2013 (Act) has introduced many new concepts and Key Managerial Personnel (KMP) is one of them.
- ✓ KMP covers the traditional roles of managing director and whole time director and also includes some functional heads like Chief Financial Officer and Chief Executive Officer and Company Secretary.

**WHO ARE THE KEY MANAGERIAL PERSONNEL?**

The definition of the term Key Managerial Personnel is contained in Section 2(51) of the Companies Act, 2013. This Section states:

1. the Chief Executive Officer
2. the Managing Director or the Manager;
3. the Company Secretary;
4. the Whole-time Director;
5. the Chief Financial Officer; and
6. such other officer as may be prescribed;

## 2. Brief different types of Directors.

### 1. Residential Director: –

- 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:

- 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- ₹10 Crores or More; –
- b) Public Companies which have Turnover- ₹100 Crores or More:-
- c) Public Companies which have total outstanding loans, debenture, and deposits of ₹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”.

### 5. Women Director:

- 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.

### 6. Additional Directors:

- Any Individual can be appointed as Additional Directors by a company.

### 7. 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.

### 8. 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.

- As regards to the qualification of directors, there is no direct provision in the 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.

According to the different provisions relating to the directors; the following qualifications may be mentioned:

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.

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#### 4. 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

1. There is mis-statement in Prospectus
2. There is failure to file return on allotment with the registrar
3. There is failure to give notice to the registrar for conversion of share into stock
4. There is failure to issue share Certificate and Debenture certificate
5. There is failure to maintain register of the members and register of debenture holders
6. There is default in holding Annual General Meeting
7. There is failure to provide Financial Statements

## CHAPTER 28: COMPANY SECRETARY

### I. Very Short Answer Questions:

#### 1. Who is a Secretary?

- The word secretary has originated in Latin. The Latin word 'Secretarius' which means secret.
- The person who is responsible for the general performance of an organization is called company secretary.

#### 2. what is meant by Meeting?

A company meeting must be organized and held in perfect compliance with the various provisions of the Act and the rules framed thereunder. 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.

#### 4. Write short note on 'Proxy'?

- A proxy is a person who is designated by another to represent that individual at a meeting or before a public body.
- It also refers to the written authorization allowing one person to act on behalf of another.
- In corporate law, a proxy is the authority to vote stock.

#### 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.

### II. 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. Give any three cases in which an ordinary resolution need to be passed.

- An ordinary resolution is one which can be passed by a simple majority

Ordinary Resolution is required for the following Matters:

- ✓ To change or rectify the name of the company
- ✓ To alter the share capital of the company
- ✓ To redeem the debentures
- ✓ To declare the dividends
- ✓ To appoint the directors

## 4. What resolution is requires 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:-

- a. To appoint an auditor, a person other than a retiring auditor
- b. To provide expressly that a retiring Auditor shall not be reappointed
- c. To remove a director before the expiry of his period of office
- d. To appoint a director in the place of a director so removed

## III. Long Answer Questions:

### 1. Elaborate the functions of the Company Secretary

#### I. Statutory Functions:

##### i. According to Companies Act 2013:

- ✓ To maintaining share registers and register of Directors and of contracts
- ✓ To deliver share certificate of allotment within 2 months after transfer
- ✓ To sign and send annual return
- ✓ To send notice of general meeting to every member of the company
- ✓ To make statutory books
- ✓ To file a resolution with the registrar
- ✓ To assist in preparing the statement of affairs in a winding up

##### ii. Under the Income-tax Act:

- ✓ He is responsible for deduction of 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 accordance with the law.

##### iii. 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.

**iv. Under the Sales-Tax Act:**

- ✓ He must ensure timely submission of tax returns to the Sales-tax authorities and payment of tax.

**v. Under Other Acts:**

- ✓ He must see that the provisions of any other Act applicable to the company, e.g., Factories Act, Payment of labour laws, Wages Act, Industrial Disputes Act and other

**II. Non-Statutory Functions;****i. 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.
- ✓ 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.

**ii. Functions in Relation to Shareholders**

- ✓ 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.

**iii. Functions in Relation to Office and Staff**

- ✓ The Secretary is the key player of the whole corporate machinery.
- ✓ He is responsible for smooth functioning of the office work.
- ✓ He exercises an overall supervision, control and co-ordination of all clerical activities in the office.

**2. Briefly state different types of company meetings.****I. Shareholders Meetings:**

The meeting held with the shareholders of the company is called shareholders meeting.

**a) 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.
- ✓ 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.
- ✓ 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

**c) Extra-Ordinary General Meeting**

- ✓ 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.

## **II. Meeting of the Board of Directors**

### **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 organized 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 ₹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 functioning as a vigil mechanism.

## **III. 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.

### **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 compromises with the creditors to avoid any crisis or to introduce any new proposals

## **3. Explain different types of open and secret types of voting.**

- ✓ 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

### **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 unscientific 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.
- .....

**I would like to thank all the commerce teachers and students for motivating me to finish these notes.**

**Regards**



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