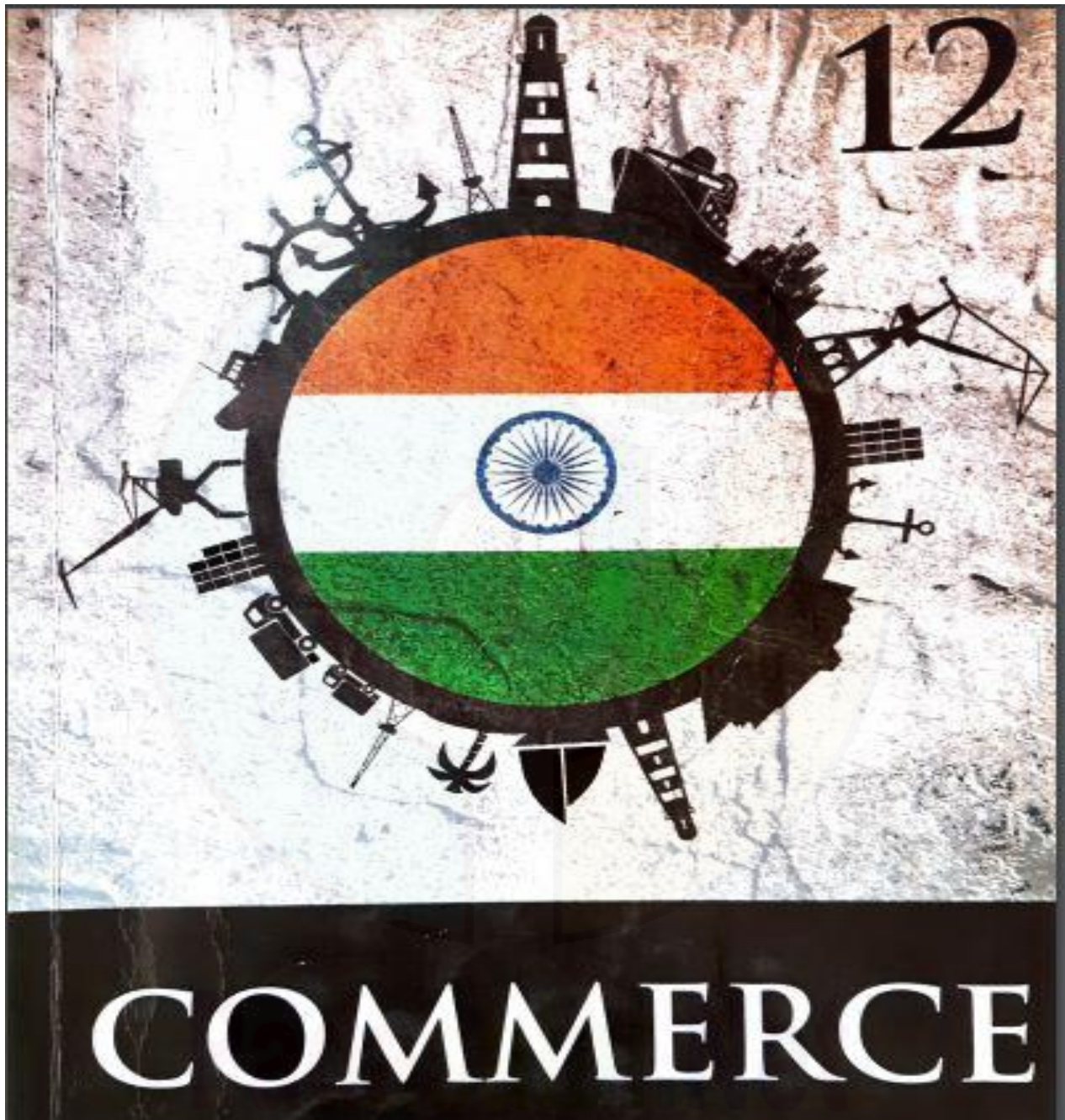


**Little Flower Matriculation Higher Secondary School**  
**Nathakkarai, Thalaivasal - 636112**

**XII - Commerce**  
**Study Material - English Medium**



Prepared By

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**12 – Commerce**  
**Unit – I Management Process**  
**Chapter 1- Principles of Management**

I. Choose the Correct Answers

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

II. Very short answer questions

**1. What is Management?**

- ⇒ Management is goal oriented and it is an art of getting things done with and through others.
- ⇒ Management is the process of conducting a set of function such as Planning, Organizing, Staffing, Directing and Controlling to get the work done in an efficient and effecting manner.

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

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



### 3. Who is a manager?

According to Peter F. 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
- (iii) Managing workers and work

### 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.
- ⇒ Simply, the manager having the group of subordinates who report him directly is called as the span of management.

### III. Short answers questions

#### 1. Define the term management.

##### Henry Fayol

- ⇒ "To manage is to forecast, to plan, to organise, to command, to co-ordinate and to control."

##### Peter F. Drucker

- ⇒ "Management is a multipurpose organ that manages a business and manages manager, and manages worker and work."

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

##### Is Management is a Science:

- ⇒ Management is an in-exact science, because in pure science, the principles are put into test in a laboratory and they are either proved or disproved exactly and precisely.

##### Is Management is a Science:

- ⇒ Everyone believes that management is an art.
- ⇒ Because, the concept of art denotes the learning of skills and practicing them in the day to day life.

Management is both – Science and an Art:

- ⇒ Management is neither a science nor an art, but a combination of both.
- ⇒ Management is a science, because it contains general principles.
- ⇒ It is also an art because, it requires certain personal skills to achieve desired results.

**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:

- (i) Science, Not Rule of Thumb
- (ii) Harmony, Not Discord
- (iii) Mental Revolution
- (iv) Cooperation, Not Individualism
- (v) Development of each and every person to his or her greatest efficiency and prosperity.

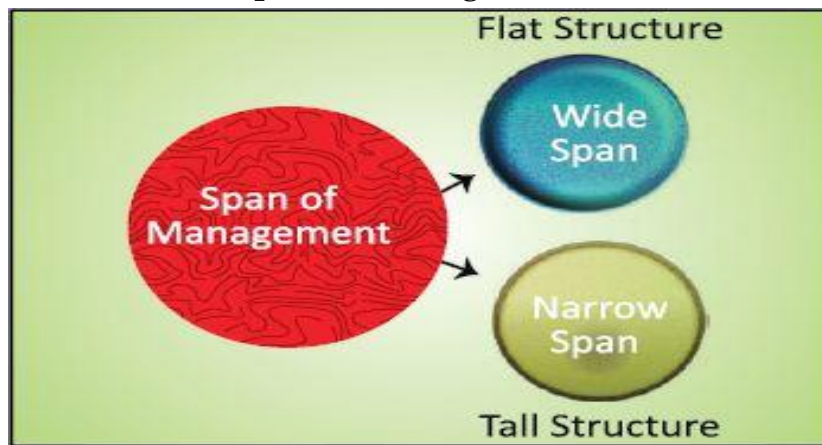
**5. What determines the span of management?**Span of management:

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

★ The Span of Management has two implications:

- (i) Influences the complexities of the individual manager's job
- (ii) Determine the shape or configuration of the Organization

★ There is a wide and narrow span of management:



- (a) With the wider span there will be less hierarchical levels, and thus, the organizational structure would be flatter.
- (b) Whereas, with the Narrow Span the hierarchical levels increase, hence the organizational structure would be tall.

#### IV. 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.

###### **(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.

###### **(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.

###### **(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.

## (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.**

★ There are twin purposes of the management process:

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

There are five parts of management as a process



## (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 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-replanning cycle, i.e., an ongoing process to attain the planned goals.

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

★ Principles of scientific management propounded by F.W. Taylor are:

(i) Science, Not Rule of Thumb

- ⇒ Rule of Thumb means decisions taken by manager as per their personal judgments.
- ⇒ A small production activity like loading iron sheets into box cars can be scientifically planned.
- ⇒ Decisions should be based on scientific enquiry with cause and effect relationships.

(ii) Harmony, Not Discord

- ⇒ Taylor emphasized that there should be complete harmony between the workers and the management.
- ⇒ Since if there is any conflict between the two, it will not be beneficial either for the workers or the management.
- ⇒ Both the management and the workers should realize the importance of each other.

(iii) Mental Revolution

- ⇒ The technique of Mental Revolution involves a change in the attitude of workers and management towards each other.
- ⇒ Thus, mental revolution requires a complete change in the outlook of both management and workers.

(iv) Cooperation, Not Individualism

- ⇒ This principle is an extension of principle of 'Harmony, not discord'.
- ⇒ Cooperation, mutual confidence, sense of goodwill should prevail among both, managers as well as workers.

(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.
- ⇒ Employees should be scientifically selected.

- ⇒ This ultimately helps to attain efficiency and prosperity for both organisation and the employees.

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

★ Henry Fayol is the father of modern management.

##### (i) Division of Work

- ⇒ According to this principle the whole work is divided into small tasks.  
⇒ The specialization of the workforce according to the skills of a person, creating specific personal and professional development within the labour force and therefore increasing productivity.

##### (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.

##### (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) Remuneration

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

##### (vii) The Degree of Centralization

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

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**12 – Commerce**  
**Unit – I Management Process**  
**Chapter 2 – Functions of Management**

**I. Choose the Correct Answers**

1. Which is the primary function of management?  
(a) Innovating (b) Controlling **(c) Planning** (d) Decision-making
2. Which of the following is not a main function?  
**(a) Decision-making** (b) Planning (c) Organising (d) Staffing
3. Distribution of work in group wise or section wise is called as \_\_\_\_\_  
**(a) Co-ordinating** (b) Controlling (c) Staffing (d) Organising
4. Which of the following is verification function?  
(a) Planning (b) Organising (c) Staffing **(d) Controlling**

**II. Very Short Answer Questions**

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

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

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

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

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

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

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

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

- (i) Innovation
- (ii) Representation
- (iii) Decision making
- (iv) Communication

**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.

**III. Short Answer Questions**

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

- (i) Planning
- (ii) Organising
- (iii) Staffing
- (iv) Directing
- (v) Motivating
- (vi) Controlling
- (vii) Co-ordination

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

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

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

- (i) Innovation refers to the preparation of personnel and organisation to face the changes made in the business world.
- (ii) Continuous changes are being made in the business.



- (iii) Consumers are satisfied through innovation.
- (iv) Innovation includes developing new material, new products, new techniques in production, new package, new design of a product and cost reduction.

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

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

##### Example:

- ★ Planning and co-ordination
  - ★ Organising and co-ordination
  - ★ Staffing and co-ordination
  - ★ Directing and coordination
  - ★ Motivation and co-ordination
  - ★ Controlling and co-ordination
- (iii) All the activities are divided group wise or section wise under organising function.
  - (iv) The difficulty of co-ordination depends upon the size of organisation.
  - (v) The difficulty of co-ordination is increased with the increasing size of the organisation.

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

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

#### IV. Long Answer Questions

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

Functions of management can be classified into two categories, they are:

- (A) Main functions and
- (B) Subsidiary functions

##### (A) Main functions:

###### (i) Planning

- ⇒ Planning is the primary function of management.
- ⇒ Nothing can be performed without planning.
- ⇒ Planning is a constructive reviewing of future needs so that present actions can be adjusted in view of the established goal.

###### (ii) Organising

- ⇒ Organising is the process of establishing harmonious relationship among the members of an organisation.
- ⇒ Organising function work is assigned to employees who are given authority to carry out the work assigned and made accountable for it.

###### (iii) Staffing

- ⇒ Staffing function comprises the activities of selection and placement of competent personnel.
- ⇒ Staffing refers to placement of right persons in the right jobs.

###### (iv) Directing

- ⇒ Directing denotes motivating, leading, guiding and communicating with subordinates.
- ⇒ Employees are kept informed of all necessary matters by circulars, instructions manuals, newsletters, notice-boards, meeting, participative mechanism etc.

##### B. Subsidiary Functions:

###### (i) 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, new design of a product and cost reduction.

(ii) Representation

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

(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 organisation.

(iv) Communication

- ⇒ Communication is the transmission of human thoughts, views or opinions from one person to another person.
- ⇒ Workers are informed about what should be done, where it is to be done, how it is to be done and when it is to be done.

Thank You

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**12 – Commerce**  
**Unit – I Management Process**  
**Chapter – 3 Management By Objectives (MBO)**  
**Management By Exception (MBE)**

I. Choose the Correct Answers

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

II. Very Short Answer Questions

**1. Define – MBO**

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

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

- (i) To measure and judge performance.
- (ii) To relate individual performance to organisational goals.
- (iii) To clarify both the job to be done and the expectations of accomplishment.



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

- (i) Management by exception is an important principle of managerial control suggested by the classical writers on management.
- (ii) Management by exception is a style of business management that focuses on identifying and handling cases that deviate from the norm.

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

- (i) MBO process helps the managers to understand their role in the total organisation.
- (ii) Systematic evaluation of performance is made with the help of MBO.

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

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

**III. Short Answer Questions****1. Write the features of MBO.**

- (i) MBO tries to combine the long run goals of organisation with short run goals.
- (ii) Management tries to relate the organisation goals with society goals.
- (iii) MBO's emphasis is not only on goals but also on effective performance.
- (iv) It increases the organisational capability of achieving goals at all levels.
- (v) A high degree of motivation and satisfaction is available to employees through MBO.
- (vi) Recognises the participation of employees in goal setting process.

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

- (i) Primarily, it is necessary to set objectives or norms with predictable or estimated results.
- (ii) These performances are assessed and get equated to the actual performance.
- (iii) Next, the deviation gets analysed. With an insignificant or no deviation, no action is required and senior managers can concentrate on other matters.
- (iv) If actual performances deviates significantly, the issue needs to be passed to the senior managers, as an "exception has occurred".
- (v) Finally, the aim is to solve this "exception" immediately.

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

- (i) Defining Organisational Objectives
- (ii) Goals of Each Section
- (iii) Fixing Key Result Areas

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

- (i) Managers are involved in objectives setting at various levels of management under MBO and this commitment ensures hard work to achieve them.
- (ii) MBO process helps the managers to understand their role in the total organisation.
- (iii) Manager recognises the need for planning and appreciates the planning.
- (iv) MBO provides a foundation for participative management. Sub-ordinates are also involved in goal setting.
- (v) A department does not work at cross purpose with another department.
- (vi) Systematic evaluation of performance is made with the help of MBO.
- (vii) MBO gives the criteria of performance. It helps to take corrective action.
- (viii) Delegation of authority is easily done with the help of MBO.
- (ix) MBO motivates the workers by job enrichment and makes the jobs meaningful.
- (x) The responsibility of a worker is fixed through MBO.

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

- (i) It saves the time of managers because they deal only with exceptional matters. Routine problems are left to subordinates.
- (ii) It focuses managerial attention on major problems. As a result, there is better utilisation of managerial talents and energy.
- (iii) It facilitates delegation of authority. Top management concentrates on strategic decisions and operational decisions are left to the lower levels.

- (iv) It is a technique of separating important information from unimportant one. It forces managers to review past history and study related business data for identifying deviations.
- (v) MBE keeps management alert to opportunities and threats by identifying critical problems.  
It can avoid uninformed and impulsive action.
- (vi) Management by exception provides better yardsticks for judging results. It is helpful in objective performance appraisal.

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

- (i) 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?
- (ii) 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.
- (iii) MBO emphasises only on short-term objectives and does not consider the long term objectives.
- (iv) The status of subordinates is necessary for proper objectives setting. But, this is not possible in the process of MBO.
- (v) MBO is rigid one.  
Objectives should be changed according to the changed circumstances, external or internal.  
If it is not done, the planned results cannot be obtained.

### **4. Discuss the disadvantages of MBE.**

- (i) The main disadvantage of MBE is, only managers have the power over really important decisions, which can be demotivating for employees at a lower level.
- (ii) Furthermore, it takes time to pass the issues to managers.
- (iii) Managing employees who deviate from the normal procedures.

- (iv) 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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**12 – Commerce**  
**Unit – II Financial Markets - I**  
**Chapter – 4 Introduction to Financial Markets**

**I. Choose the Correct Answers**

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

**II. Very Short Answer Questions**

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

⇒ Organized sector consist of Regulators, Financial Institutions, Financial Markets and Financial Services.

**2. Write a note on Financial Market.**

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

### 3. What is Spot / Cash Market?

- ⇒ Cash / Spot Market is a market where the delivery of the financial instrument and payment of cash occurs immediately.
- ⇒ That is settlement is completed immediately.

### 4. What is Debt Market?

- ⇒ Debt Market is the financial market for trading in Debt Instrument.
- ⇒ That is Government Bonds or Securities, Corporate Debentures or Bonds.

### 5. How is price decided in a Secondary Market?

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

### III. Short Answer Questions

#### 1. Give the meaning and definition of Financial Market.

##### Meaning of Financial Market

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

##### Definition of 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.**

S. No.	Spot Market	Future Market
(i)	Spot Market is a market where the delivery of the financial instrument and payment of cash occurs immediately. That is settlement is completed immediately.	Futures Market is a market where the delivery of asset and payment of cash takes place at a pre-determined time frame in future.
(ii)	Spot market is also known as cash market.	Futures market is also known as Forward market.

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

- (i) 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.
- (ii) The trading takes place between investors who follow the original issue in the primary market.
- (iii) Secondary market covers both stock exchange and over the counter market.

**4. Bring out the scope of Financial Market in India.**

- (i) 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.
- (ii) With the help of the financial market all the above stated individuals, institutions and the Government can get their required funds in time.
- (iii) Through the financial market the institutions get their short term as well as long term financial assistance.
- (iv) It leads to the overall economic development.

#### IV. Long Answer Questions

##### 1. Distinguish between New issue market and Secondary Market.

S. No.	Basis for Comparison	New Issue Market	Secondary Market
(i)	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)
(ii)	Buying	Direct	Indirect
(iii)	Financing	It supplies funds to budding enterprises and also to existing companies for expansion and diversification.	It does not provide funding to companies.
(iv)	How can securities be sold?	Only once	Multiple times
(v)	Buying and Selling between	Company and Investors	Investors
(vi)	Gained person	Company	Investors
(vii)	Intermediary	Underwriters	Brokers
(viii)	Price	Fixed price	Fluctuates, depends on the demand and supply force.

##### 2. Enumerate the different kinds of Financial Markets.

★ Financial Markets can be classified in different ways.

###### I. On the Basis of Type of Financial Claim:

###### (i) Debt Market

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

###### (ii) Equity Market

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

## II. On the Basis of Maturity of Financial Claim:

### (i) Money Market

- ⇒ Money market is the market for short term financial claim (usually one year or less).
- ⇒ Example: Treasury Bills, Commercial Paper, Certificates of Deposit.

### (ii) Capital Market

- ⇒ Capital market is the market for long term financial claim more than a year.
- ⇒ Example: Shares, Debentures.

## III. On the Basis of Time of Issue of Financial Claim:

### (i) Primary Market

- ⇒ 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

- ⇒ Secondary market is the market for securities that are already issued.
- ⇒ Stock Exchange is an important institution in the secondary market.

## IV. On the Basis of Timing of Delivery of Financial Claim:

### (i) Cash/Spot Market

- ⇒ Cash/Spot market is a market where the delivery of the financial instrument and payment of cash occurs immediately.
- ⇒ Example: settlement is completed immediately.

### (ii) Forward or Futures Market

- ⇒ 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.

## V. On the Basis of the Organizational Structure of the Financial Market:

### (i) Exchange Traded Market

- ⇒ Exchange traded market is a centralized organization (stock exchange) with standardized procedures.

### (ii) Over-the-Counter Market

- ⇒ Over-the-counter market is a decentralized market (outside the stock exchange) with customized procedures.



### 3. Discuss the role of Financial Market.

- ★ One of the important requisites for the accelerated development of an economy is the existence of a dynamic and a resilient financial market.
- ★ A financial market is of great use for a country as it helps the economy in the following manner:

#### (i) Savings Mobilization

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

#### (ii) Investment

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

#### (iii) National Growth

- ⇒ Financial markets contribute to a nation's growth by ensuring an unfettered flow of surplus funds to deficit units.
- ⇒ Flow of funds for productive purposes is also made possible.
- ⇒ It leads to overall economic growth.

#### (iv) Entrepreneurship Growth

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

#### (v) Industrial Development

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

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

- ★ A financial market renders the following functions:

#### I. Intermediary Functions:

- ★ The intermediary functions of a financial market include the following:

#### (i) Transfer of Resources:

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

(ii) Enhancing Income:

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

(iii) Productive Usage:

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

(iv) Capital Formation:

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

(v) Price Determination:

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

(vi) 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.

(vii) Information:

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

II. Financial Functions:

★ The financial functions of a financial market include the following:

- (i) Providing the borrowers with funds so as to enable them to carry out their investment plans.
- (ii) Providing the lenders with earning assets so as to enable them to earn wealth by deploying the assets in productive ventures.
- (iii) Providing liquidity in the market so as to facilitate trading of funds.

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**12 – Commerce**  
**Unit – II Financial Markets – I**  
**Chapter – 5 Capital Market**

**I. Choose the Correct Answers**

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

**II. Very Short Answer Questions**

**1. What is Capital Market?**

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

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

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

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

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

## III. Short Answer Questions

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

★ The capital market is divided into two i.e., primary market and secondary market.

#### I. Primary Market:

- (i) Primary market is a market for new issues or new financial claims.
  - (ii) Primary Market is also called New Issue Market.
  - (iii) Primary market deals with those securities which are issued to the public for the first time.
  - (iv) Primary market, borrowers exchange new financial securities for long term funds.
  - (v) Primary market facilitates capital formations.
- ★ There are three ways by which a company may raise capital in a primary market.
- (a) Public Issue
  - (b) Rights Issue
  - (c) Private Placement

#### II. Secondary Market:

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

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

### I. Savings and Capital Formation

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

### II. Permanent Capital

- (i) The existence of a capital market/stock exchange enables companies to raise permanent capital.
- (ii) The investors cannot commit their funds for a permanent period but companies require funds permanently.
- (iii) The stock exchange resolves this dash of interests by offering an opportunity to investors to buy or sell their securities, while permanent capital with the company remains unaffected.

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

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

★ The entire scripless trading system comprises the following three segments:

- (a) National Trade Comparison and Reporting System which prescribes the terms and conditions of contract for the securities market.
- (b) National Clearing System which aims at determining the net cash and stock liability of each broker on a settlement date.
- (c) National Depository System which arranges to provide for the transfer of ownership of securities in exchange on payment by book entry on electronic ledgers without any physical movement of transfer deed.

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

- (i) 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.

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

The public sector bonds were introduced.

A number of stock exchanges came into existence.

There was a momentous growth in the secondary market.

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

New financial services such as credit rating was introduced.

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

### **Factoring Institutions:**

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

### **Venture Fund Institutions:**

- (i) Venture capital financing is a form of equity financing designed especially for funding new and innovative project ideas.
- (ii) Venture capital funds bring into force the hi-technology projects which are converted into commercial production.
- (iii) Many specialized financial institutions have promoted their own venture capital funds.
- (iv) They include Risk Capital Foundation of IFCI, Venture Fund of IDBI, SIDBI, Technology Development and Infrastructure Corporation of India (TDICI), and others.

#### IV. Long Answer Questions

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

#### **(i) Securities Market**

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

#### **(ii) Price**

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

#### **(iii) Participants**

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

#### **(iv) Location**

- ⇒ Capital market is not confined to certain specific locations, although it is true that parts of the market are concentrated in certain well known centers known as Stock Exchanges.
- ⇒ It has its impact in the overall economy, wherever suppliers and users of capital get together and do business.

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

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

### **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 like Individuals, Corporate, Govt., etc.

#### **(ii) Permanent Capital**

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

#### **(iii) Industrial Growth**

- ⇒ The stock exchange is a central market through which resources are transferred to the industrial sector of the economy.
- ⇒ The existence of such an institution encourages people to invest in productive channels.

(iv) Ready and Continuous Market

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

(v) Reliable Guide to Performance

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

(vi) Proper Channelization of Funds

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

(vii) Provision of Variety of Services

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

**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.
- ⇒ Many specialized financial institutions have promoted their own venture capital funds.
- ⇒ They include Risk Capital Foundation of IFCI, Venture Fund of IDBI, SIDBI, Technology Development and Infrastructure Corporation of India (TDICI), and others.

(ii) Mutual Funds

- ⇒ Financial institutions that provide facilities for channeling savings of small investors into avenues of productive investments are called 'Mutual Funds'.
- ⇒ Specialized financial institution like LIC, UTI, etc., beside commercial banks such as SBI, and Canara Bank are carrying out the business of 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.

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

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

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

(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.

(vii) National Securities Depositories Limited

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

Thank You

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**12 – Commerce**  
**Unit – II Financial Markets – I**  
**Chapter – 6 Money Market**

I. Choose the Correct Answers

1. The money invested in the call money market provides high liquidity with \_\_\_\_\_.  
(a) **Low Profitability** (b) High Profitability  
(c) Limited Profitability (d) Medium Profitability
2. A major player in the money market is the \_\_\_\_\_.  
(a) **Commercial Bank** (b) Reserve Bank of India  
(c) State Bank of India (d) Central Bank
3. Money Market provides \_\_\_\_\_.  
(a) Medium-term Funds (b) **Short-term Funds** (c) Long-term Funds (d) Shares
4. Money Market Institutions are \_\_\_\_\_.  
(a) Investment Houses (b) Mortgage Banks  
(c) Reserve Bank of India (d) **Commercial Banks and Discount Houses**
5. Risk in the Money Market is \_\_\_\_\_.  
(a) High (b) Market Risk (c) **Low Credit and Market Risk** (d) Medium Risk
6. Debt Instruments are issued by Corporate Houses are raising short-term financial resources from the money market are called \_\_\_\_\_.  
(a) Treasury Bills (b) **Commercial Paper**  
(c) Certificate of Deposit (d) Government Securities
7. The market for buying and selling of Commercial Bills of Exchange is known as a \_\_\_\_\_.  
(a) Commercial Paper Market (b) Treasury Bill Market  
(c) **Commercial Bill Market** (d) Capital Market



8. A marketable document of title to a time deposit for a specified period may be referred to as a \_\_\_\_\_.  
(a) Treasury Bill (b) **Certificate of Deposit**  
(c) Commercial Bill (d) Government Securities
9. Treasury Bills commands \_\_\_\_\_.  
(a) **High Liquidity** (b) Low Liquidity  
(c) Medium Liquidity (d) Limited Liquidity
10. Government Securities are issued by agencies such as \_\_\_\_\_.  
(a) Central Government (b) State Governments  
(c) Semi-government Authorities (d) **All of the above**

## II. Very Short Answer Questions

### 1. Define the term "Money Market".

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

### 2. What is a CD market?

- ⇒ Certificate of Deposits are short-term deposit instruments issued by banks and financial institutions to raise large sums of money.
- ⇒ Certificate of Deposits are issued in the form of usance promissory notes.
- ⇒ They are easily convertible in nature and are in marketable form having particular face value and maturity.

### 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'.

### III. Short Answer Questions

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

★ Treasury Bills incorporate the following general features.

- (i) Issuer
- (ii) Finance Bills
- (iii) Liquidity
- (iv) Vital Source
- (v) Monetary Management

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

★ There are many participants operating in the Money Market.

- (i) Government of different countries
- (ii) Central Banks of different countries
- (iii) Private and Public Banks
- (iv) Mutual Funds Institutions
- (v) Insurance Companies
- (vi) Non-Banking Financial Institutions
- (vii) RBI and SBI
- (viii) Commercial Banks
- (ix) State Governments
- (x) Public

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

⇒ Treasury Bills are issued to the public and other financial institutions for meeting the short-term financial requirements of the Central Government.

⇒ These bills are freely marketable and they can be bought and sold at any time and these bill are tradable in secondary market as well.

★ On the basis of periodicity, Treasury Bills may be classified into three.

- (a) 91 days Treasury Bills
  - (b) 182 days Treasury Bills and
  - (c) 364 days Treasury Bills
- 
- (i) Ninety one days Treasury Bills are issued at a fixed discount rate of 4 per cent as well as through auctions.
  - (ii) The RBI holds 91 days and 182 Treasury Bills and they are issued on tap basis throughout the week.

- (iii) 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?**

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

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

(i) Demand Bills

- ⇒ A demand bill is one wherein no specific time of payment is mentioned.

(ii) Clean bills and documentary Bills

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

(iii) Inland bills and Foreign Bills

- ⇒ Bills are drawn and payable in India are called inland bills.  
⇒ Bills that are drawn outside India are called foreign bills.

(iv) Indigeneous Bills

- ⇒ The Indigeneous bills are governed by native custom or usage of trade.

(v) Accommodation Bills

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

#### IV. Long Answer Questions

##### 1. Differentiate between the Money Market and Capital Market.

S. 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.	Money Value	Each single money market instrument is of large amount. Each certificate of deposits or commercial paper is for minimum of ₹ 25 lakh.	Each single capital market instrument is of small amount. Each share value is ₹ 10. Each debenture value is ₹ 100.
4.	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.
5.	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.
6.	Participants	Transactions have to be conducted without the help of brokers Like, Bankers, RBI and Government.	Transactions have to be conducted only through authorized dealers. Like, Brokers, Investors, Merchant Bankers, Underwriters and Commercial Banks.
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?

### (i) Short-term Funds

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

### (ii) Maturity Period

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

### (iii) Conversion of Cash

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

### (iv) No Formal Place

⇒ Generally, transactions take place through phone, i.e., oral communication.  
⇒ Relevant documents and written communications can be exchanged subsequently.

### (v) Sub-markets

⇒ It is not a single homogeneous market.  
⇒ It comprises of several sub-markets each specialising in a particular type of financing.  
⇒ Example: Call Money Market, Acceptance Market, Bill Market.

### (vi) Role of Market

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

### (vii) Existence of Secondary Market

⇒ There should be an active secondary market for these instruments.

## 3. Explain the Instruments of Money Market?

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

★ They were as follows:

(i) Treasury Bills in the Treasury Market

(ii) Money at Call and Short Notice in the Call Loan Market

(iii) Commercial Bills and Promissory Notes in the Bill Market



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

- (i) Commercial Papers
- (ii) Certificate of Deposits
- (iii) Inter-Bank participation Certificates
- (iv) Repo Instruments

(a) Treasury Bills

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

(b) Certificate of Deposits

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

(c) Commercial Bills

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

(d) Government or Gilt-Edged Securities

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

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

##### I. Features of the Commercial Bills:

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

##### II. Types of Commercial Bills:

###### (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.
- ⇒ Example: Railway Receipt and Lorry Receipt.

###### (c) Inland bills and Foreign Bills

- ⇒ Bills are drawn and payable in India are called inland bills.
- ⇒ Bills that are drawn outside India are called foreign bills.

###### (d) Indigeneous Bills

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

###### (e) Accommodation Bills

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

## 5. What are the characteristics of Government Securities?

★ Government Securities plays a significant role in the Indian Money Market.

### 1. Agencies

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

### 2. RBI Special Role

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

### 3. Nature of Securities

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

### 4. Liquidity Profile

⇒ The liquidity profile of gilt-edged securities varies.

⇒ Accordingly liquidity profile of securities issued by Central Government is high.

### 5. Tax Rebate

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

### 6. Market

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

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

### 7. Forms

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

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**12 – Commerce**  
**Unit – III Financial Markets – II**  
**Chapter – 7 Stock Exchange**

I. Choose the Correct Answers

1. \_\_\_\_ is the oldest stock exchange in the world.  
(a) London Stock Exchange (b) Bombay Stock Exchange  
(c) National Stock Exchange **(d) Amsterdam Stock Exchange**
2. There are \_\_\_\_ stock exchanges in the country.  
(a) 21 **(b) 24** (c) 20 (d) 25
3. Stock exchanges deal in  
(a) Goods (b) Services (c) **Financial Securities** (d) Country's Currency
4. Stock exchange allow trading in  
(a) All types of Shares of any Company (b) Bonds issued by the Govt  
**(c) Listed Securities** (d) Unlisted Securities
5. Jobbers transact in a stock exchange  
(a) For their Clients **(b) For their Own Transactions**  
(c) For other Brokers (d) For other Members
6. A pessimistic speculator is  
(a) Stag **(b) Bear** (c) Bull (d) Lame Duck
7. An optimistic speculator is  
**(a) Bull** (b) Bear (c) Stag (d) Lame duck
8. A bull operator believes in  
**(a) Increase in Prices** (b) Decrease in Prices  
(c) Stability in Prices (d) No change in Prices

9. \_\_\_\_\_ means the price at which securities are bought and sold are recorded and made public.  
(a) **Market Quotations** (b) Trade Quotations  
(c) Business Quotations (d) Buyers Quotations
10. The rules and regulations of Stock exchange are framed by \_\_\_\_\_ guide lines.  
(a) RBI (b) Central Government (c) **SEBI** (d) BSE

## II. Very Short Answer Questions

### 1. What is meant Stock Exchange?

- ⇒ Stock Exchange is also called Stock Market or Share Market.
- ⇒ Stock Exchange is an organized market for the purchase and sale of industrial and financial security.

### 2. Define Stock Exchange.

The Indian Securities Contracts (Regulation) Act of 1956, defines Stock Exchange as,

- ⇒ "An association, organization or body of individuals, whether incorporated or not, established for the purpose of assisting, regulating and controlling business in buying, selling and dealing in securities."

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

- (i) The Bombay Stock Exchange
- (ii) The Ahmedabad Stock Exchange Association Ltd.
- (iii) Bangalore Stock Exchange Ltd.
- (iv) The Calcutta Stock Exchange Association Ltd.
- (v) The Madras Stock Exchange Ltd.

### 4. What is meant by Remisier?

- ⇒ Remisier is an agent of a member of a stock exchange.
- ⇒ He obtains business for his principal i.e., the member.
- ⇒ Remiser 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?

★ Speculators are classified into four types.

- (i) Bull
- (ii) Bear
- (iii) Stag
- (iv) Lame Duck

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

- (i) National Stock Exchange of India Limited (NSE)
- (ii) Stock Holding Corporation of India Limited (SHCIL)
- (iii) National Clearing and Depository System (NCDS)
- (iv) Securities Trading Corporation of India (STCI)
- (v) National Securities Depository Limited (NSDL)

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

#### 2. Explain Bull and Bear.

##### Bull

- (i) A Bull or Tejiwala is an operator who expects a rise in prices of securities in the future.
- (ii) 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.
- (iii) He is called bull.
- (iv) He is an optimistic speculator.

##### Bear

- (i) 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.
- (ii) A bear does not have securities at present but sells them at higher prices in anticipation that he will supply them by purchasing at lower prices in future.
- (iii) A bear is a pessimistic speculator.

### 3. Explain Stag and Lane Duck.

#### Stag

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

#### Lane Duck

- (i) When a bear finds it difficult to fulfill his commitment, he is said to be struggling like a lane duck.
- (ii) A bear speculator contracts to sell securities at a later date.
- (iii) 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:

- (i) National Stock Exchange of India Limited (NSE)
- (ii) Stock Holding Corporation of India Limited (SHCIL)
- (iii) National Clearing and Depository System (NCDS)
- (iv) Securities Trading Corporation of India (STCI)
- (v) National Securities Depository Limited (NSDL)

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

- (i) 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.
- (ii) 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.
- (iii) 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.

#### IV. Long Answer Questions

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

###### **(i) 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.

###### **(ii) Correct Evaluation of Securities**

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

###### **(iii) 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.

###### **(iv) Proper Chanalisation of Capital**

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

###### **(v) Aid to Capital Formation**

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

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

### 1. Market for Securities

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

### 2. Deals in Second Hand Securities

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

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

### 3. Regulates Trade in Securities

⇒ Stock exchange does not buy or sell any securities on its own account.

⇒ It merely provides the necessary infrastructure and facilities for trade in securities.

### 4. Allows Dealings only in Listed Securities

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

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

### 5. Transactions Effected only through Members

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

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

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

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

#### A. Benefits to the Community:

##### (i) Economic Development

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

##### (ii) Fund Raising Platform

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

##### (iii) Tools to Divert Resources

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

#### B. Benefits to the Company

##### (i) Enhances Goodwill or Reputation

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

##### (ii) Wide Market

- ⇒ There is a wide and ready market for such securities.

##### (iii) Raises huge funds

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

#### C. Benefits to Investors:

##### (i) Liquidity

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

##### (ii) 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.



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

S. No.	Feature	Stock Exchange	Commodity Exchange
1.	Meaning	Stock Exchange is an organized market for the purchase and sale of industrial and financial security.	A commodity exchange is an exchange where commodities are traded.
2.	Function	Providing easy marketability	Offering hedging or price insurance services and liquidity to securities.
3.	Object	Object is facilitating capital formation and making best use of capital resources.	Object is facilitating goods flow through risk reduction.
4.	Participants	Investors and Speculators	Producers, dealers, traders and a body of speculators
5.	Articles Traded	Industrial securities such as stocks and bonds and government securities.	Only durable, graded and goods having large volume of trade.
6.	Price Quotation	As regards forward dealings, only one quotation is possible	For future dealings, multiple quotations are possible

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**12 – Commerce**  
**Unit – III Financial Markets – II**  
**Chapter – 8 Securities Exchange Board of India**  
**(SEBI)**

**I. Choose the Correct Answers**

1. Securities Exchange Board of India was first established in the year \_\_\_\_  
(a) 1988 (b) **1992** (c) 1995 (d) 1998
2. The headquarters of SEBI is \_\_\_\_  
(a) Calcutta (b) **Bombay** (c) Chennai (d) Delhi
3. In which year SEBI was constituted as the regulator of capital markets in India?  
(a) **1988** (b) 1992 (c) 2014 (d) 2013
4. Registering and controlling the functioning of collective investment schemes as \_\_\_\_  
(a) **Mutual Funds** (b) Listing (c) Rematerialisation (d) Dematerialization
5. SEBI is empowered by the Finance ministry to nominate \_\_\_\_ members on the Governing body of every stock exchange.  
(a) 5 (b) **3** (c) 6 (d) 7
6. The process of converting physical shares into electronic form is called \_\_\_\_  
(a) **Dematerialisation** (b) Delisting (c) Materialisation (d) Debarring
7. Trading in dematerialized shares commenced on the NSE is \_\_\_\_  
(a) January 1996 (b) June 1998 (c) **December 1996** (d) December 1998
8. \_\_\_\_ was the first company to trade its shares in Demat form.  
(a) Tata Industries (b) **Reliance Industries** (c) Infosys (d) Birla Industries

9. \_\_\_\_\_ enables small investors to participate in the investment on share capital of large companies.  
(a) **Mutual Funds** (b) Shares (c) Debentures (d) Fixed deposits
10. PAN stands for \_\_\_\_\_  
(a) Permanent Amount Number (b) Primary Account Number  
(c) **Permanent Account Number** (d) Permanent Account Nominee

## II. Very Short Answer Questions

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

- ⇒ SEBI means Securities and Exchange Board of India.
- ⇒ 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.

#### (i) 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.

#### (ii) Protection to the Investors

- ⇒ The protection of the interests of the investors means protecting them from the wrong information given by the companies in their prospectus, reducing the risk of delivery and payment, etc.

### 3. What is Demat account?

- (i) A demat account holds all the shares that are purchased in electronic or dematerialized form.
- (ii) Basically, a demat account is to shares what a bank account is to money.
- (iii) 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?**

- |                      |                                  |
|----------------------|----------------------------------|
| (i) Ration card      | (v) Bank passbook                |
| (ii) Passport        | (vi) Bank statement              |
| (iii) Voter ID card  | (vii) Electricity bills          |
| (iv) Driving license | (viii) Residence telephone bills |

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

- (i) Dematerialization is the process by which physical share certificates of an investor are taken back by the company/ registrar and destroyed.
- (ii) Dematerialization is done at the request of the investor.
- (iii) Investors will first have to open an account with a DP (Depository Participant) and then request for dematerialization of certificates through the DP.
- (iv) Purchases made by an investor are credited to his account and sales are debited.
- (v) All the holdings of a particular security will be identical and interchangeable.
- (vi) Trading in dematerialized shares commenced on the NSE in December 1996 where Reliance Industries was the first company to trade its 100 shares in demat form.

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

- (i) We need to submit proof of identity and address along with a passport size photograph and the account opening form.
- (ii) Only photocopies of the documents are required for submission, but originals are also required for verification.
- (iii) Proof of identity may be 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, etc.
- (iv) Proof of address may be Ration card, passport, voter ID card, driving license, bank passbook or bank statement, verified copies of electricity bills, residence telephone bills, leave and license agreement or agreement for sale, etc.

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

★ Securities contract (regulation) Act empowers Central Governments to delegate some of its powers, to SEBI.

- (i) Power to grant recognition to a stock exchange.
- (ii) Power to direct any stock exchange to amend the rules relating to constitution of stock exchange, admission of new members, etc.
- (iii) Power to supersede governing body of any stock exchange.
- (iv) Power to suspend business of a recognised stock exchange.

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

- (i) 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.
- (ii) This affects the interests of the general investors and is essential to check this tendency.

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





#### IV. Long Answer Questions

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

- (i) Safeguarding the interests of investors by means of adequate education and guidance.
- (ii) Regulating and controlling the business on stock markets.
- (iii) Conduct inspection and inquiries of stock exchanges, intermediaries and self-regulating organizations and to take appropriate measures wherever required.
- (iv) Barring insider trading in securities.
- (v) Prohibiting deceptive and unfair methods used by financial intermediaries operating in securities markets.
- (vi) SEBI issues Guidelines and Instructions to businesses concerning capital issues.
- (vii) SEBI regulates mergers and acquisitions as a way to protect the interest of investors.
- (viii) Registering and controlling the functioning of collective investment schemes such as mutual funds.
- (ix) Promoting self-regulatory organization of intermediaries.
- (x) Carrying out steps in order to develop the capital markets.

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

★ The various powers of a Stock Exchange are explained below:

###### **1. Powers Relating to Stock Exchanges & Intermediaries**

- ⇒ SEBI has wide powers regarding the stock exchanges and intermediaries dealing in securities.
- ⇒ It can ask information from the stock exchanges and intermediaries 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.

###### **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.

#### 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.

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**12 – Commerce**  
**Unit – IV Human Resource Management**  
**Chapter – 9 Fundamentals of Human Resource Management**

**I. Choose the Correct Answers**

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

**II. Very Short Answer Questions**

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

- ⇒ In an organisation the human resource are the employees who are inevitable for the survival and success of the enterprise.
- ⇒ All human beings are not considered to be human resources but only those individuals who acquired the required skill sets, talents, knowledge, and competencies are called human resources.

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

- ⇒ The branch of management that deals with managing human resource is known as Human Resource Management.
- ⇒ Human Resource Management is a function of management concerned with hiring, motivating and maintaining people in an organisation. It focuses on people in an organisation.

**3. State two features of HRM.****(i) Universally relevant**

- ⇒ Human Resource Management has universal relevance.

**(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.**

- (i) Human resource is the only factor of production that lives.
- (ii) Human resource created all other resources.

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

- (i) Planning
- (ii) Organising
- (iii) Directing
- (iv) Controlling

**III. Short Answer Questions****1. Define the term Human Resource Management.**

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

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

- (i) Human resource is the only factor of production that lives.
- (ii) Human resource created all other resources.
- (iii) It is only the labour of employees that is hired and not the employee himself.
- (iv) Human resource exhibits innovation and creativity.
- (v) Human resource alone can think, act, analyse and interpret.
- (vi) Human resources are emotional beings.



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

- (i) It is only through human resource all other resources are effectively used.
- (ii) The sustainable growth of an organisation depends on the important resource human resource.
- (iii) Industrial relations depend on human resource.
- (iv) Human relations is possible only through human resource.
- (v) Human resource manages all other factors of production.
- (vi) Human resources are well protected by legislative frameworks.

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

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

#### I. Managerial function:

- (i) Planning
- (ii) Organising
- (iii) Directing
- (iv) Controlling

#### II. Operative function:

- (i) Procurement
- (ii) Development
- (iii) Compensation
- (iv) Retention
- (v) Integration
- (vi) Maintenance

#### (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.

#### (ii) Organising

- ⇒ It includes division of work among employees by assigning each employee their duties, delegation of authority as required.

#### (iii) Procurement

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

#### (iv) Development

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

(v) Compensation

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

IV. Long Answer Questions

**1. Explain the characteristics of Human Resource (any 5).**

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

- (i) Human resource is the only factor of production that lives.
- (ii) Human resource created all other resources.
- (iii) It is only the labour of employees that is hired and not the employee himself.
- (iv) Human resource exhibits innovation and creativity.
- (v) Human resource alone can think, act, analyse and interpret.
- (vi) Human resources are emotional beings.
- (vii) Human resources can be motivated either financially or non financially.
- (viii) The behaviour of human resources are unpredictable.
- (ix) Over years human resources gains value and appreciates.
- (x) Human resources are movable.

**2. Describe the significance of Human Resource Management (any 5).**

(i) To identify manpower needs

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

(ii) To incorporate change

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

(iii) To ensure the correct requirement of manpower

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

(iv) To select right man for right job

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

(v) To update the skill and knowledge

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

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

(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

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

### **4. Discuss the 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.

Thank You

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**12 – Commerce**  
**Unit – IV Human Resource Management**  
**Chapter – 10 Recruitment Methods**

I. Choose the Correct Answers

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

II. Very Short Answer Questions

**1. Give the meaning of Recruitment.**

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

**2. What is promotion?**

- ⇒ 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.****(i) Transfer**

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

**(ii) Upgrading**

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

**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.

**III. Short Answer Questions****1. Define the term Recruitment.**

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

**2. What is meant by unsolicited applicants?**

⇒ These are the applications of job seekers who voluntarily apply for the vacancies not yet notified by the organisations.

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

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

**4. State the steps in Recruitment process outsourcing.**

- (i) Requirement Understanding
- (ii) Advertise & Source
- (iii) Screening
- (iv) Validation
- (v) Profile submission



- (vi) Interview Process & Feedback
- (vii) Selection & Follow-up

#### IV. Long Answer Questions

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

#### **(i) Transfer**

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

#### **(ii) Upgrading**

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

#### **(iii) Promotion**

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

#### **(iv) Demotion**

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

#### **(v) Recommendation by existing Employees**

⇒ A family member, relative or friend of an existing employee can be recruited and placed.

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

#### **(i) Advertisements**

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

#### **(ii) Unsolicited applicants**

⇒ These are the applications of job seekers who voluntarily apply for the vacancies not yet notified by the organisations.

#### **(iii) Walkins**

⇒ Walk-in applicants with suitable qualification and requirement can be another

source of requirement.

(iv) Campus Recruitment

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

(v) Recruitment at Factory gate

⇒ Usually casual or temporary unskilled employees are recruited by this way.  
⇒ They are recruited at factory gate and paid on hourly or daily basis.

### 3. What is the Recent trends in Recruitment?

★ The recent methods of recruiting by organisations include the following methods:



#### 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.

#### 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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**12 – Commerce**  
**Unit – IV Human Resource Management**  
**Chapter – 11 Employee Selection Process**

I. Choose the Correct Answers

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

7. The purpose of an application blank is to gather information about the  
(a) Company **(b) Candidate**  
(c) Questionnaire or Interview Schedule (d) Competitors
8. Identify the test that acts as an instrument to discover the inherent ability of a candidate.  
**(a) Aptitude Test** (b) Attitude Test (c) Proficiency Test (d) Physical Test
9. The process of eliminating unsuitable candidate is called  
**(a) Selection** (b) Recruitment (c) Interview (d) Induction
10. Scrutiny of application process is the  
(a) Last step in Selection process **(b) First step in Selection process**  
(c) Third step in Selection Process (d) None of the above
11. Selection process helps in  
(a) Locating candidates **(b) Determining the suitability of the candidates**  
(c) Preparing employees for training (d) None of these
12. The process of placing the right man on the right job is called -----  
(a) Training **(b) Placement** (c) Promotion (d) Transfer
13. Probation/Trial period signifies  
**(a) one year to two years** (b) one year to three years  
(c) Two years to four years (d) None of the above
14. Job first man next is one of the principles of -----  
(a) Test (b) Interview (c) Training **(d) placement**

## II. Very Short Answer Questions

### 1. What is selection?

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

### 2. What is an interview?

- ⇒ Interview represents a face to face interaction between the interviewer and interviewee.

- ⇒ An interview is a purpose full exchange of ideas, the answering of questions and communication between two or more persons.

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

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

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

- ⇒ Bio data is a commonly used term in industrial and organizational psychology for biographical data.
- ⇒ Bio data is define as, "factual kinds of questions about life and work experiences, as well as to item involving opinions, values, beliefs an attitudes that reflect a historical perspective."

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

- ⇒ Placement is a process of assigning a specific job to each and every candidate selected.
- ⇒ Placement signifies placing the right person on the right job in a good manner.
- ⇒ The term 'placement' includes initial assignment of new employees and promotion, transfer or demotion of present employees.

## III. Short Answer Questions

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

- (i) This type of interview is conducted to test the temperament and emotional balance of the candidate interviewed.
- (ii) Interviewer deliberately creates stressful situation by directing the candidate to do irrational and irritating activities.
- (iii) They assess the suitability of the candidate by observing the reaction and response of the candidate to the stressful situations.
- (iv) Mostly this type of interview is conducted for recruiting sales representative's staff for defence and law enforcement agencies.



**2. What is structured interview?**

- (i) Structured interview 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.
- (ii) Ultimately interviewees are ranked on the basis of score earned by the candidate in the interview.
- (iii) It is otherwise called as Guided interview and Planned interview.

**3. Name the types of selection test?****(A) Ability Test:**

- (i) Aptitude test
- (ii) Achievement Test
- (iii) Intelligence Tests
- (iv) Judgment Test

**(B) Personality test:**

- (i) Interest Test
- (ii) Personality Inventory Test
- (iii) Projective Test
- (iv) Attitude Test

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

- (i) This test measures a candidate's capacity to achieve in a particular field.
- (ii) The regular examination conducted in educational institution represents achievement test.
- (iii) It is also called proficiency test.
- (iv) This test is conducted before, during or after a learning experience.
- (v) In short it is a test conducted to find out candidate's mastery over the subject.

**Example:**

- (a) A driver may be asked to drive a vehicle to test his driving efficiency.
- (b) Music student may be asked to play a given instrument.



## 5. What is aptitude test?

- (i) Aptitude test is a test to measure suitability of the candidates for the post/role.
- (ii) It actually measures whether the candidate possess a set of skills required to perform a given job.
- (iii) It helps in predicting the ability and future performance of the candidate.

★ Aptitude test can be measured by the following ways:

- ⇒ Numerical Reasoning Test
- ⇒ Verbal Reasoning Test
- ⇒ Inductive Reasoning Test
- ⇒ Mechanical Reasoning Test
- ⇒ Diagrammatic Reasoning Test
- ⇒ Spatial Reasoning Test
- ⇒ Situational Judgment Test
- ⇒ Mental Arithmetic Test
- ⇒ Vocabulary Test
- ⇒ Number Sequence Test

## 6. How is panel interview conducted?

- (i) Where a group of people interview the candidate, it is called panel interview.
- (ii) Usually panel comprises chair person, subject expert, psychological experts, representatives of minorities / underprivileged groups, nominees of higher bodies and so on.
- (iii) All panel members ask different types of questions on general areas of specialization of the candidate.
- (iv) Each an every member awards marks for the candidate separately.
- (v) At the end, the marks awarded by all the members are aggregated and the candidates are ranked accordingly.
- (vi) This method eliminates bias in selection process.
- (vii) It ensures more reliability in the selection of the candidate.

#### IV. Long answer questions

### **1. Briefly explain the various types of tests.**

#### **(A) Ability Test:**

- (i) 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.
- (ii) 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 helps in predicting the ability and future performance of the candidate.
  - ⇒ Aptitude test can be measured by the following ways:
    - ⇒ Numerical Reasoning Test
    - ⇒ Verbal Reasoning Test
    - ⇒ Inductive Reasoning Test
    - ⇒ Mechanical Reasoning Test
    - ⇒ Diagrammatic Reasoning Test
    - ⇒ Spatial Reasoning Test
    - ⇒ Situational Judgment Test
    - ⇒ Mental Arithmetic Test
    - ⇒ Vocabulary Test
    - ⇒ Number Sequence Test

#### **(2) Achievement Test**

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

### **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.
  - ★ Interest Test
  - ★ Personality Inventory Test
  - ★ Projective Test
  - ★ Attitude Test

### 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

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

#### (iii) Unstructured Interview

- ⇒ This is quite contrary to structured interview.
- ⇒ There is no pre-prepared questions.

#### (iv) In depth Interview

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

#### (v) Panel Interview

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

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

### 3. Explain the principles of placement.

★ Following principles are followed at the time of placement of an employee:

#### (i) 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.

#### (ii) Job Offer

- ⇒ The job should be offered to the man based on his qualification.

#### (iii) 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.

#### (iv) Aware about the Penalties

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

#### (v) 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.

**4. Differentiate Recruitment and Selection.**

S. No.	Basis of Comparison	Recruitment	Selection
(i)	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.
(ii)	Approach	Approach under recruitment is positive one.	Approach under selection is negative one.
(iii)	Objective	Inviting large number of candidates to apply for the vacant post	Picking up the most suitable candidates and eliminating the rest
(iv)	Sequence	First	Second
(v)	Method	It is an economical method.	It is an expensive method.
(vi)	Process	Recruitment process is very simple	Selection process is very complex and complicated

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**12 – Commerce**  
**Unit – IV Human Resource Management**  
**Chapter – 12 Employee Training Method**

I. Choose the Correct Answers

1. Off the Job training is given  
(a) In the class room (b) On off days  
**(c) Outside the factory** (d) In the playground
2. Vestibule training is provided  
(a) On the job (b) In the class room  
**(c) In a situation similar to actual working environment** (d) By the committee
3. Improves Skill Levels of employees to ensure better job performance  
**(a) Training** (b) Selection (c) Recruitment (d) Performance appraisal
4. When trainees are trained by supervisor or by superior at the job is called  
(a) Vestibule training (b) Refresher training  
**(c) Role play (d) Apprenticeship training**
5. ----- is useful to prevent skill obsolescence of employees  
**(a) Training** (b) Job analysis (c) Selection (d) Recruitment
6. Training methods can be classified into training -----training  
(a) Job rotation and Job enrichment **(b) On the Job and Off the Job**  
(c) Job analysis and Job design (d) Physical and mental
7. Elaborate discussion on specific topic comes under ----- method of training.  
(a) Under study (b) Coaching **(c) Conferences** (d) Counselling



## II. Very Short Answer Questions

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

- ⇒ Training refers to the teaching and learning activities carried on for the primary purpose of helping members of an organization to acquire and to apply the required knowledge, skill and attitudes to perform their jobs effectively and efficiently.

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

- ⇒ Mentoring is the process of sharing knowledge and experience of an employee.
- ⇒ The focus in this training is on the development of attitude of trainees.
- ⇒ It is mostly used for managerial employees.
- ⇒ Mentoring is always done by senior person.
- ⇒ It is also one-to-one interaction, like coaching.

### **3. What is Role play?**

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

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

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

## III. Short Answer Questions

### **1. What is vestibule training?**

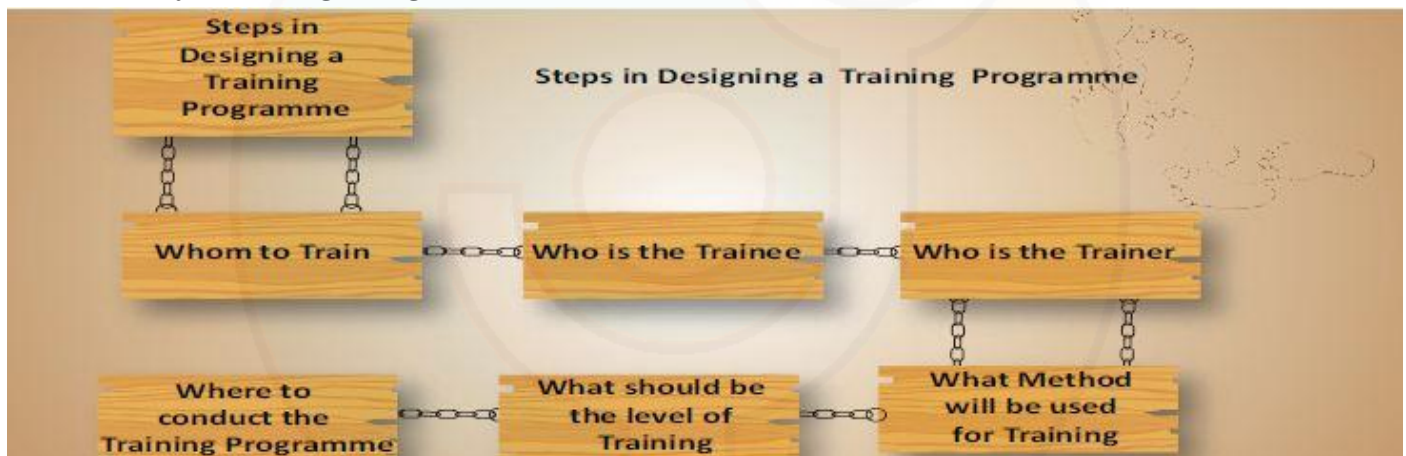
- ⇒ Vestibule training is training of employees in an environment similar to actual work environment artificially created for training purpose.
- ⇒ This type of training is given to avoid any damage or loss to machinery in the actual place by trainees and avoid disturbing the normal workflow in the actual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

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

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

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

- ⇒ Training is one of the planned activities to transfer or modify knowledge, skills and attitude.
- ★ Every training programme must address certain vital issues listed below:



### (i) Whom to Train?

- ⇒ Training department has to determine the candidates for whom the training should be imparted.

### (ii) Who is the Trainee?

- ⇒ A person who is learning and practising the skills of particular job is called trainee.

### (iii) Who are Trainers?

- ⇒ Trainer is a person who teaches skills to employee and prepare them for a job activity.

### (iv) What Method will be used for Training?

- ⇒ Training segment should decide the appropriate method of training among the various methods of training available.

(v) What should be Level the Training?

⇒ Training department should decide the level of training to be imparted to the employees.

(vi) Where to Conduct the Training Programme?

⇒ The venue of training and duration of training should be fixed based on the availability of other related factors.

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

##### Trainer:

- ⇒ Trainer is a person who teaches skills to employee and prepares them for a job activity.
- ⇒ The trainers is otherwise called Instructor, Coach, Teacher, Mentor, Adviser, Counsellor, Guide, Guru, Manager, Handler, Tutor and Educator 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.

#### IV. Long Answer Questions

##### **1. Discuss various types of training.**

- ⇒ There are various methods of training are used to train the employees.
- ⇒ It is varying from one organization to another.
- ★ There are two principal methods of employee training.

I. On the Job Training

II. Off the Job 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.
- ⇒ It is based on the principle of “Learning by Doing and Learning While Earning”.

The following are the on the job training methods:

- ★ Coaching Method
- ★ Mentoring method
- ★ Job Rotation Method

- ★ Job Instruction Techniques (JIT) Method
- ★ Apprenticeship Training Method
- ★ Committee Assignment
- ★ Understudy/Internship Training Method

## 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.

The following are the off the job training methods:

- ★ Lecture Method
- ★ Group Discussion Method
- ★ Case Study Method
- ★ Role Play Method
- ★ Seminar/Conference Method
- ★ Field Trip Method
- ★ Vestibule Training Method
- ★ E-learning Method
- ★ Demonstration Training Method
- ★ Programmed Instruction Method

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

S. No.	Basis for comparison	On the Job Training	Off the Job Training
(i)	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.
(ii)	Cost	It is cheapest to carry out.	It requires expenses like separate training rooms, specialist, resources like projectors.
(iii)	Location	At the work place	Away from the work place
(iv)	Approach	Practical approach	Theoretical approach
(v)	Principle	Learning by performing	Learning by acquiring knowledge
(vi)	Carried out	It is carried out by the experienced employee.	Training which is provided by the experts.

### 3. Explain the benefits of training.

#### I. Benefits to the Organization:

- (i) It improves the skill of employees and enhances productivity and profitability of the entity.
- (ii) It reduces wastages of materials and idle time.
- (iii) It exposes employees to latest trends.
- (iv) It minimizes the time for supervision.
- (v) It reduces labour turnover of employee

#### II. Benefits to the Employees:

- (i) It adds to the knowledge skill and competency of employee
- (ii) It enables him to gain promotion or achieve career advancement in quick time.
- (iii) It improves the employees productivity.
- (iv) It enhances the morale of the employee.
- (v) Employees get higher earnings through incentives and rewards.

#### III. Benefits of Customer:

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

Thank You

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**12 – Commerce**  
**Unit – V Elements of Marketing**  
**Chapter – 13 Concept of Market and Marketer**

I. Choose the Correct Answers

1. One who promotes (or) Exchange of goods or services for money is called as.  
(a) Seller **(b) Marketer** (c) Customer (d) Manager
2. The marketer initially wants to know in the marketing is.  
(a) Qualification of the customer (b) Quality of the product  
(c) Background of the customers **(d) Needs of the customers**
3. The Spot market is classified on the basis of.  
(a) Commodity **(b) Transaction** (c) Regulation (d) Time
4. Which one of the market deals in the purchase and sale of shares and debentures?  
**(a) Stock Exchange Market** (b) Manufactured Goods Market  
(c) Local Market (d) Family Market
5. Stock Exchange Market is also called.....  
(a) Spot Market (b) Local Market **(c) Security Market** (d) National Market

II. Very Short Answer Questions

**1. What is Market?**

- ⇒ The word market is derived from the Latin word 'Marcatus' which means trade, commerce, merchandise, a place where business is transacted.
- ⇒ The common usage of market means a place where goods are bought or sold.
- ⇒ It is a medium or place to interact and exchange goods and services.



## 2. Define Marketer.

### Business Dictionary

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

## 3. What is mean by Regulated Market?

- ⇒ Regulated Market is 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?

- ⇒ Spot Market is the market, 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.

## II. Short Answer Questions

### 1. What can be marketed in the Market?

- ⇒ Goods
- ⇒ Services
- ⇒ Experiences
- ⇒ Persons
- ⇒ Places
- ⇒ Properties
- ⇒ Information
- ⇒ 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.
- ⇒ In such a case, marketer plays as an instigator and leads the business toward new directions.

**(ii) Innovator**

- ⇒ Marketer seeks to distinguish his products / services by adding additional features or functionalities to the existing product.
- ⇒ He also does modifying the pricing structure, introducing new delivery pattern, creating new business models.

**(iii) Integrator**

- ⇒ Marketer plays a role of integrator in the sense that he collects feedback or vital inputs from channel members and consumers and provides products / service solutions to customers / consumers by co-ordinating multiple functions of organisation.

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

- (i) Yes, I agree with this statement.
- (ii) Marketer seeks to distinguish his products / services by adding additional features or functionalities to the existing product.
- (iii) He also does modifying the pricing structure, introducing new delivery pattern, creating new business models.
- (iv) The marketers as an innovator introduce changes in production process.

**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., are called as very short period market.

**(ii) Short Period Market**

- ⇒ In certain goods, supply is adjusted to meet the demand.
- ⇒ The demand is greater than supply.
- ⇒ Such markets are known as Short Period Market.

**(iii) Long Period Market**

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

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

- (i) Gathering and Analysing market information
- (ii) Market planning
- (iii) Product Designing and development
- (iv) Standardisation and Grading
- (v) Packaging and Labelling
- (vi) Branding
- (vii) Customer Support Services
- (viii) Pricing of Products
- (ix) Promotion and Selling
- (x) Physical Distribution
- (xi) Transportation
- (xii) Storage and Warehousing

**III. Long Answer Questions****1. How the market can be classified?****I. On the Basis of Geographical Area:**

- (i) Family Market
- (ii) Local Market
- (iii) National Market
- (iv) International Market or World Market

**II. On the Basis of Commodities/Goods:**

- (i) Commodity Market
  - (a) Produce Exchange Market
  - (b) Manufactured Goods Market
  - (c) Bullion Market
- (ii) Capital Markets
  - (a) Money Market
  - (b) Foreign Exchange Market
  - (c) The Stock Market

**III. On the Basis of Economics:**

- (i) Perfect Market
- (ii) Imperfect Market

**IV. On the Basis of Transaction:**

- (i) Spot Market
- (ii) Future Market

**V. On the Basis of Regulation:**

- (i) Regulated Market
- (ii) Unregulated Market

**VI. On the Basis of Time:**

- (i) Very Short Period Market
- (ii) Short Period Market
- (iii) Long Period Market

**VII. On the Basis of Volume of Business:**

- (i) Wholesale Market
- (ii) Retail Market

**VIII. On the Basis of Importance:**

- (i) Primary Market
- (ii) Secondary Market
- (iii) Terminal Market

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

**II. 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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**12 – Commerce**  
**Unit – V Elements of Marketing**  
**Chapter – 14 Marketing and Marketing Mix**

I. Choose the Correct Answers

1. The initial stage of Marketing system is -----  
 (a) Monopoly system (b) Exchange to Money  
**(c) Barter system** (d) Self producing
2. Who is supreme in the Market?  
**(a) Customer** (b) Seller (c) Wholesaler (d) Retailer
3. In the following variables which one is not the variable of marketing mix?  
 (a) Place Variable (b) Product Variable **(c) Program Variable** (d) Price Variable
4. Marketing mix means a marketing program that is offered by a firm to its target ----- to earn profits through satisfaction of their wants.  
 (a) Wholesaler (b) Retailer **(c) Consumer** (d) Seller
5. Which one is the example of Intangible product?  
**(a) Education** (b) Mobiles (c) Garments (d) Vehicles

II. Very Short Answer Questions

**1. What is Marketing?**

⇒ Marketing is one of the business functions that all activities that take place in relation to markets for actualise potential exchanges for the purpose of satisfying human needs and wants.

**2. Define Marketing Mix.**

Mr. Jerome McCarthy

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

### 3. What is meant by Grading?

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

### 4. Define Product.

#### Philip Kotler

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

### III. Short Answer Questions

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

★ The following are the objectives of marketing:

- (i) Intelligent and capable application of modern marketing policies.
- (ii) To develop the marketing field.
- (iii) To develop guiding policies and their implementation for a good result.
- (iv) To suggest solutions by studying the problems relating to marketing.
- (v) To find sources for further information concerning the market problems.

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

##### Need for market:

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

##### Concept of marketing:

- (i) What I can sell?  
⇒ Make what you can sell, but do not try to sell what you can make.
- (ii) Shall I first create products?  
⇒ No, first create a customer, then create products.
- (iii) Shall I love my products?  
⇒ No, love your customers and not the products.
- (iv) Who is supreme in markets?  
⇒ Customer is supreme or king.
- (v) Who will shape my decisions?  
⇒ Customer's preferences shape your decisions.



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

#### I. Internal Factors:

- (i) Marketing Objectives
- (ii) Marketing Mix Strategy
- (iii) Organizational considerations
- (iv) Costs
- (v) Organization Objectives

#### II. External Factors:

- (i) The market and demand
- (ii) Competition
- (iii) Customers
- (iv) Suppliers
- (v) Legal factors
- (vi) Regulatory factors

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

#### Marketing mix:

- (i) A list of important elements or ingredients that make up the marketing programme.
- (ii) The list of forces having bearing on marketing operations.

#### Elements of Marketing of Mix:

##### (i) Product

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

##### (ii) Price

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

#### IV. Long Answer Questions

### **1. Discuss about the Evolution of marketing.**

#### **(i) Barter System:**

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

#### **(ii) Production Orientation:**

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

#### **(iii) Sales Orientation:**

⇒ The stage witnessed major 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.

#### **(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 consumers-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.**

#### **I. To the Society:**

- (i) Marketing is a connecting link between the consumer and the producer.
- (ii) Marketing helps in increasing the living standard of people.
- (iii) Marketing helps to increase the nation's income.
- (iv) Marketing process increases employment opportunities.
- (v) Marketing creates modern cultivators.

- (vi) A reduction in the cost of marketing is a direct benefit to society.

## II. To the Individual Firms:

- (i) Marketing generates revenue to firms.
- (ii) Marketing section of a firm is the source of information to the top management for taking overall decisions on production.
- (iii) Marketing and innovation are the two basic functions of all businesses.  
The world is dynamic.
- (iv) 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.

#### **(ii) Price**

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

#### **(iii) Place**

- ⇒ The third 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.

Thank You

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**12 – Commerce**  
**Unit – V Elements of Marketing**  
**Chapter – 15 Recent Trends in Marketing**

I. Choose the Correct Answers

1. Selling goods/ services through internet is  
(a) Green marketing **(b) E- business** (c) Social marketing (d) Meta marketing
2. Which is gateway to internet?  
(a) Portal (b) CPU **(c) Modem** (d) Webnaire
3. Social marketing deals with:  
(a) Society **(b) Social Class** (c) Social change (d) Social evil
4. Effective use of Social media marketing increase conversion rates of –  
**(a) Customer to buyers** (b) Retailer to customers  
(c) One buyer to another buyer's (d) Direct contact of marketer
5. A company's products and prices is visually represented by  
(a) Shopping cart (b) Web portal **(c) Electronic catalogue** (d) Revenue model
6. Pure play retailers are called  
(a) Market creators **(b) Transaction brokers** (c) Merchants (d) Agents

II. Very Short Answer Questions

**1. What is E business?**

- ⇒ Electronic business (e-business) refers to web, internet, intranets, extranets or some combination thereof to conduct business.
- ⇒ In simple words, if all the business transaction carried out through internet and other online tools is called E-business.

**2. What is green marketing?**

- ⇒ Green marketing implies marketing environmentally friendly products.
- ⇒ It refers to holistic marketing concept with growing awareness about the implications of global warming, non-biodegradable solid waste, harmful impact of pollutants etc.
- ⇒ Green marketing is also known as environmental marketing.

**3. What is service marketing?**

- ⇒ Service marketing is a specialized branch of marketing.
- ⇒ Service marketing denotes the processing of selling service goods like telecommunication, banking, insurance, car rentals, healthcare, tourism, professional services, repairs etc.

**4. Define E-Marketing.**

- ⇒ “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).”

**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.
- ⇒ E-tailing is a business to consumer (B2C) transaction model.
- ⇒ E-tailing is also called online retailing.

**6. What is Social marketing?**

- ⇒ Social marketing is a new marketing tool.
- ⇒ It is the systematic application of marketing philosophy and techniques to achieve specific behavioural goals which ensure social good.

**III. Short Answer Questions****1. What are the advantages of E-Marketing?****(i) 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.



(ii) Direct contact

- ⇒ Direct contact of end consumer by the manufacturers cuts down the substantially intermediation cost.
- ⇒ Thus products bought through e-marketing become cheaper.

(iii) Browsing sites

- ⇒ 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:

- (i) Expansion of market share.
- (ii) Reduction of distribution and promotional expenses.
- (iii) Achieving higher brand awareness.
- (iv) Strengthening database.

## 3. Explain in detail about Niche marketing.

- (i) Niche marketing denotes a strategy of directing all marketing efforts towards one well defined segment of the population.
- (ii) It is found by company, by identifying the need of customers which are not served or under served by the competitors.
- (iii) A niche market does not mean a small market, but it involves specific target audience with a specialized offering.
- (iv) It aimed at being a big fish in a small pond instead of being a small fish in a big pond.
- (v) For example, there are various cinema halls across India, but there are few which have recliner seats to offer.
- (vi) The sports channels like STAR Sports, ESPN, STAR Cricket are the examples of Niche market.

#### IV. Long Answer Questions

##### 1. Explain in detail how traditional marketing differ from E-marketing.

S. No.	E-Marketing	Traditional Marketing
(i)	It is very economical and faster way to promote the products.	It is very expensive and takes more time to promote product.
(ii)	It is quiet easier for promoting product globally in the short time.	It is very expensive and time consuming to promote product / service.
(iii)	E-Business enterprises can expand their operation with minimum manpower.	It needs more man power.
(iv)	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 of E-Marketing:

###### (i) 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.

###### (ii) Direct contact

- ⇒ Direct contact of end consumer by the manufacturers cuts down the substantially intermediation cost.
- ⇒ Thus products bought through e-marketing become cheaper.

###### (iii) Browsing sites

- ⇒ Customer can buy whatever they want / need just by browsing the various sites.

###### Disadvantages of E-Marketing:

- (i) High Cost for E- marketing which requires a strong online advertising campaign a for which company has to spend large amount.
- (ii) It is not suitable for small size business and also deters customers from buying who lives on long distances.

- (iii) While the number of customers are continuously growing, companies hardly update the information on website.
- (iv) Many buyers are suspicious about the security of the internet.

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

#### **I. Guerrilla Marketing:**

- (i) The concept of Guerrilla Marketing was invented as an unconventional system of promotions that relies on time, energy and imagination rather than a big marketing budget.
- (ii) Guerrilla marketing represents an advertisement strategy to promote products/ services on streets or other public places with monkey like shopping malls, parks beach etc.
- (iii) It is suited to small companies which cannot set apart big advertisement budget.

#### **II. Multilevel Marketing:**

- (i) Multilevel Marketing is the marketing strategy wherein the direct sales companies encourage its existing distributors to recruit new distributors to facilitate the sale of goods and services.
- (ii) The distributor is compensated not only for the sales generated by him but also gets a percentage on sales revenue of the other distributor he recruits, thus; a multilevel marketing is a type of direct selling wherein the distributor sells the product via relationship referrals and word-of-mouth marketing.

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**12 – Commerce**  
**Unit – VI Consumer Protection**  
**Chapter – 16 Consumerism**

I. Choose the Correct Answers

1. The term 'consumerism' came into existence in the year -----.  
(a) **1960** (b) 1957 (c) 1954 (d) 1958
2. Who is the father of Consumer Movement?  
(a) Mahatma Gandhi (b) Mr. Jhon F. Kennedy  
(c) **Ralph Nader** (d) Jawaharlal Nehru
3. Sale of Goods Act was passed in the year?  
(a) 1962 (b) 1972 (c) **1930** (d) 1985
4. The main objective of all business enterprises is -----  
(a) Providing service (b) Providing better standard of life  
(c) Providing necessities to the society (d) **Earn profit**
5. The Consumer Protection Act came into force with effect from  
(a) 1.1.1986 (b) 1.4.1986 (c) **15.4.1987** (d) 15.4.1990
6. ----- of every year is declared as a Consumer Protection Day to educate the public about their rights and responsibilities.  
(a) August 15 (b) April 15 (c) **March 15** (d) September 15
7. Any person who buys any goods or avails services for personal use, for considerations called  
(a) Customer (b) **Consumer** (c) Buyer (d) User
8. The General Assembly of United Nations passed resolution of consumer protection guidelines on  
(a) **1985** (b) 1958 (c) 1986 (d) 1988

## II. Very Short Answer Questions

### **1. Who is a consumer?**

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

### **2. Define Consumerism.**

#### Philip Kotler

- ⇒ "Consumerism is not limited to organised efforts only but, is a social movement seeking to augment the rights and powers of buyers in relation to sellers".

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

- (i) Mixing of stones with grains.
- (ii) Mixing of coconut oil with palmolein
- (iii) Papaya seed is added to black pepper.

### **4. What is Caveat Emptor?**

- ⇒ 'Caveat emptor' is a Latin term that means "let the buyer beware."
- ⇒ In other words, 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?**

- ⇒ Caveat venditor means "let the seller beware," by which goods are covered by an implied warranty of merchantability.
- ⇒ Unless otherwise advertised (for example, "sold as is") or negotiated with the buyer, nearly all consumer products are guaranteed to work, if used for their intended purpose.

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

- ⇒ The Central Government enacted a comprehensive law called the Consumer Protection Act in 1986.
- ⇒ This Act came into force with effect from 15.04.1987.
- ⇒ This Act was further amended in 1993.
- ⇒ The Act is referred in short as 'COPRA'.
- ⇒ The act provides safeguards to consumers against defective goods, deficient services, unfair trade practices, and other forms of their exploitation.

### III. Short Answer Questions

#### **1. What are the important legislations related to consumerism in India? (any 3)**

- (i) The Indian Contract Act, 1872
- (ii) The Sale of Goods Act, 1930
- (iii) The Essential Commodities Act, 1955
- (iv) The Prevention of Food Adulteration Act, 1954

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

- (i) 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.
- (ii) In such situations consumers who are desperate to buy such goods have to pay hefty price to buy those goods and thus earning more profit unconscientiously.
- (iii) 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.**

★ Importance of consumerism lies in

- (i) Awakening and uniting consumers.
- (ii) Discouraging unfair trade practices.
- (iii) Protecting against exploitation.
- (iv) Awakening the government.
- (v) Effective implementation of consumer protection laws.
- (vi) Providing complete and latest information.
- (vii) Discouraging anti-social activities.

### IV. Long Answer Questions

#### **1. How consumers are exploited?**

##### **(i) Selling at Higher Price**

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

##### **(ii) Adulteration**

⇒ It refers to mixing or substituting undesirable material in food.

⇒ This causes heavy loss to the consumers.

⇒ Adulteration is quite common in food articles.



★ Example:

Mixing of stones with grains.

Papayas seed is added to black pepper.

(iii) Duplicate or Spurious goods

- ⇒ Duplicate products of popular products are illegally produced and sold.
- ⇒ Duplicates are available in plenty in the market for every original and genuine parts or components like automobile spare parts, blades, pens, watches, radios, medicines, jewellery, clothes and even for currency notes.
- ⇒ Duplicate medicines are sold in large measure, from Cape to Kashmir. A consumer is not in a position to distinguish duplicate from the original.

(iv) 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.
- ⇒ 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.

(v) Sub-standard

- ⇒ On opening a packet or sealed container one may find the content to be of poor quality.
- ⇒ Thus gullible consumers are easily and legally cheated.

(vi) Warranty and Services

- ⇒ In case of consumer durable goods like televisions, washing machines, refrigerators, cars, two wheelers and air conditioners etc. free service is guaranteed only for few years called warranty period.
- ⇒ But in reality free service are denied on flimsy grounds even during the warranty period.

## 2. Explain the role of business in consumer protection.

### (i) Avoidance of Price Hike

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

### (ii) 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.

### (iii) Guarantees for Good Quality

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

### (iv) 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.

### (v) 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.

### (vi) Protection from the Hazard

- ⇒ Business enterprises should not market the product which is potentially hazardous and harmful.
- ⇒ It should test the safety of the product before they are marketed.
- ⇒ As regards food items, business enterprises should withdraw spoiled and contaminated food items.

### (vii) Money Refund Guarantee

- ⇒ Where the product becomes defective, business enterprises should replace it with new one or refund the purchase price.
- ⇒ If the product causes injury or harm to consumers, it should reimburse the expenditures done by the consumers concerned.

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

- (i) Though consumer is said to be the king of entire business sphere, his interests are virtually neglected.
- (ii) Shortage of goods makes the consumers to be content with whatever is offered for sale.
- (iii) Quality is sacrificed: warranty of performance has no meaning.
- (iv) Health hazard is never considered.
- (v) Profit maximisation turns out to be sole consideration of business enterprises.
- (vi) In such a context, consumer protection remains a vital importance.

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

- ★ In this context consumers have to be vigilant and organise themselves into a movement for concerted action.
- (i) Consumer action councils established at village levels should educate consumers of the right.
- (ii) Consumer protection agencies should take necessary steps to investigate consumer complaints and grievances and arrange to forward them to correct forum.
- (iii) It should regulate business enterprises according to the rules of the industry.
- (iv) Voluntary consumer groups should provide information so as to educate consumers on matters affecting them through media.
- (v) It should organise movement against the malpractice of manufacturers and traders.
- (vi) Consumer cooperatives need to be strengthened.
- (vii) Consumer groups should contact the legislators to raise the consumer issues in Assembly and Parliament.
- (viii) There should be testing laboratories at each district to test the purity of goods.
- (ix) Voluntary consumer organisations should publicise the malpractices of manufacturers and traders by media.
- (x) It should take initiation to report such officials and authorities who let the offender to go scot free to follow enforcement agencies.

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

★ Following are the objectives of Consumer Protection act 1986:

- (i) Protection of consumers against marketing of goods which are hazardous and dangerous to life and property of consumers.
- (ii) Providing correct and complete information about quality, quantity, purity, price and standard of goods purchased by consumers.
- (iii) Protecting consumers from unfair trade practices of traders.
- (iv) Empowering consumers to seek redressal against exploitation.
- (v) Educating the consumer of their rights and duties.
- (vi) Ensuring better standard of living for consumers by providing them with quality products at fair price.
- (vii) 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.

(i) The Indian Contract Act, 1872

⇒ This act was passed to bind the people on the promise made in the contract.

(ii) The Sale of Goods Act, 1930

⇒ This Act protects consumers against sellers not complying with expressed and implied warranties in the sale contract.

(iii) The Essential Commodities Act, 1955

⇒ This act protects the consumers against artificial shortages created by the sellers by hoarding the goods and thus selling the goods at high prices in black market in respect of essential commodities.

(iv) The Agricultural Products Grading and Marketing Act, 1937

⇒ This act ensures the supply of agricultural commodities at high quality.

(v) The Prevention of Food Adulteration Act, 1954

⇒ This act checks the adulteration of food articles and ensures purity of goods supplied and thus protects the health of consumers.

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12 – Commerce  
Unit – VI Consumer Protection  
Chapter – 17 Rights, Duties & Responsibilities of  
Consumers

I. Choose the Correct Answers

1. The final aim of modern marketing is \_\_\_\_\_.  
(a) Maximum profit (b) Minimum profit  
**(c) Consumer satisfaction** (d) Service to the society
2. ----- is the king of modern marketing.  
**(a) Consumer** (b) Wholesaler (c) Producer (d) Retailer
3. As the consumer is having the rights, they are also having -----.  
(a) Measures (b) Promotion **(c) Responsibilities** (d) Duties
4. Which of the following is not a consumer right summed up by John F. Kennedy  
(a) Right to safety (b) Right to choose  
**(c) Right to consume** (d) Right to be informed
5. It is the responsibility of a consumer that he must obtain----- as a proof for the purchase of goods.  
**(a) Cash receipt** (b) Warranty card (c) Invoice (d) All of these

II. Very Short Answer Questions

**1. Write short notes on: "Right to be informed."**

- (i) Consumers should be given all the relevant facts about the product so that they can take intelligent decisions on purchasing the product.
- (ii) Advertising and labelling on the package should provide objective information to buyers.



- (iii) This implies that 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”?

- (i) There may be few products that are more likely to cause physical danger to consumers’ health, lives and property.
- (ii) The best examples of this kind are Food additives, colours, emulsifiers, preservatives.
- (iii) The health hazards which are likely to arise have to be eradicated or reduced altogether.
- (iv) In case of food items and drugs both life saving and life sustaining safety is to be guaranteed.

## 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?

- ⇒ 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 has to have the knowledge about the quality from his own experiences or from the experiences of other persons who used the product or by browsing the website.

### III. Short Answer Questions

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

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



- ⇒ This will boost consumer confidence and help render justice to buyers.
- ⇒ There should be fair and just settlement of deserving claims in a definite timeframe.

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

- (i) There may be few products that are more likely to cause physical danger to consumers’ health, lives and property.
- (ii) They may contain potentially harmful substances which are dangerous from the consumer welfare point of view.
- (iii) The best examples of this kind are Food additives, colours, emulsifiers, preservatives.
- (iv) The health hazards which are likely to arise have to be eradicated or reduced altogether.
- (v) In case of food items and drugs both life saving and life sustaining safety is to be guaranteed.

### IV. Long Answer Questions

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

★ The various rights of consumers guaranteed under the Consumer Protection Act have been discussed here under.

##### **(i) Right to Protection of Health and Right of Safety**

- ⇒ There may be few products that are more likely to cause physical danger to consumers’ health, lives and property.
- ⇒ The health hazards which are likely to arise have to be eradicated or reduced altogether.

##### **(ii) Right to be Informed**

- ⇒ Consumers should be given all the relevant facts about the product so that they can take intelligent decisions on purchasing the product.
- ⇒ Advertising and labelling on the package should provide objective information to buyers.

(iii) Right to choose

- ⇒ Consumer satisfaction is the ultimate aim of modern marketing and is the philosophy of marketing concept.
- ⇒ A wise trader or dealer or manufacturer is one who maximises his profits by maximising the consumer satisfaction.

(iv) Right to be Heard

- ⇒ Consumers have every right to ventilate and register his/her dissatisfaction, disagreements and get the complaint heard and aired.
- ⇒ This right is vital.
- ⇒ Business enterprises should lend a compassionate ear to complaints or grievances of consumers.

(v) Right to Seek 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.

(vi) Right to Consumer Education

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

(vii) 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.

## 2. Explain the duties of consumers.

### (i) Buying quality products at reasonable price

- ⇒ It is the responsibility of a consumer to purchase a product after gaining a thorough knowledge of its price, quality and other terms and conditions.
- ⇒ The consumer must have the knowledge about the quality from his own experiences or from the experiences of other persons who used the product or by browsing the website.

### (ii) Ensure the weights and measurement before making purchases

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

### (iii) Reading the label carefully

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

### (iv) Beware of false and attractive advertisements

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

### (v) 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.

### (vi) 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 others.

### (vii) Never purchase from black market

- ⇒ The consumer should not buy things from black market and in excess of his requirements.

⇒ At times of scarcity consumer should not resort to panic buying and stock things excessively.

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

- (i) The consumer must pay the price of the goods according to the terms and conditions of the sales contract.
- (ii) 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.
- (iii) 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.
- (iv) The consumer is bound to pay any interest and special damages caused to the seller in case if there is delay in the payment.
- (v) The consumer has to assiduously follow and keenly observe the instructions and precautions while using the products.
- (vi) The consumer has the responsibility to express unambiguously to the seller of his requirements and expectations from the product.
- (vii) The consumer must seek to collect complete information about the quality, quantity, price etc of the product before purchasing it.
- (viii) The consumer must get cash receipt as a proof of goods purchased from the seller.
- (ix) The consumer must file a complaint with the seller concerned about defects or shortcomings noticed in their products and services.
- (x) The consumer should never compromise on the quality of goods.  
The consumers must watch for ISI, Agmark, etc.

Thank You

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**12 – Commerce**  
**Unit – VI Consumer Protection**  
**Chapter – 18 Grievances Redressal Mechanism**

I. Choose the Correct Answers

1. The Chairman of the National Consumer Disputes Redressal Council is \_\_\_\_\_  
**(a) Serving or Retired Judge of the Supreme Court of India** (b) Prime Minister  
(c) President of India (d) None of the above
2. The Chairman of the State Consumer Protection Council is \_\_\_\_\_  
**(a) Judge of a High Court** (b) Chief Minister  
(c) Finance Minister (d) None of the above
3. The Chairman of the District Forum is \_\_\_\_\_  
**(a) District Judge** (b) High Court Judge  
(c) Supreme Court Judge (d) None of the above
4. The State Commission can entertain complaints where the value of the goods or services and the compensation, if any claimed exceed  
(a) ₹ 2 lakhs but does not exceed ₹ 5 lakhs  
**(b) ₹ 20 lakhs but does not exceed ₹ 1 crore**  
(c) ₹ 3 lakhs but does not exceed ₹ 5 lakhs  
(d) ₹ 4 lakhs but does not exceed ₹ 20 lakhs
5. The National Consumer Disputes Redressal Commission has jurisdiction to entertain complaints where the value of goods/services complained against and the compensation, if any, claimed is  
**(a) Exceeding ₹ 1 crore** (b) Exceeding ₹ 10 lakhs  
(c) Exceeding ₹ 5 lakhs (d) Exceeding ₹ 12 lakhs

6. The District Forum can entertain complaints where the value of goods or services and the compensation if any claimed is less than  
(a) Below ₹ 10,00,000 **(b) Below ₹ 20,00,000**  
(c) Below ₹ 40,00,000 (d) Below ₹ 50,00,000
7. The International Organisation of Consumers Unions (IOCU) was first established in  
**(a) 1960** (b) 1965 (c) 1967 (d) 1987
8. Consumer awareness covers the following:  
(a) Consumer awareness about Maximum Retail Price  
(b) Consumer awareness about Fair Price Shop  
(c) Consumer awareness about price, quality, and expiry date of the product  
**(d) All of the above**
9. Complaints can also be filed by the  
(a) Central Government (b) State Government  
(c) A group of consumers **(d) All of the above**
10. A consumer has to be protected against  
(a) Defects of product (b) Deficiencies of product  
(c) Unfair and restrictive trade practices **(d) All of the above**

## II. Very Short Answer Questions

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

- ⇒ Redressal mechanism is a management and governance related process used commonly in India.
- ⇒ It covers the receipt and processing of complaints from citizens and consumers.
- ⇒ It also includes the action taken on any issue raised by them to avail services more effectively.

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

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



- ⇒ Its head office is in New Delhi.
- ⇒ It is headed by a serving or retired judge of the Supreme Court of India.
- ⇒ It is also called as National Commission.

### **3. State the meaning of the term State Commission.**

- ⇒ The State Commission is to be appointed by the State Government in consultation with the Centre.
- ⇒ It has the same function as state level.
- ⇒ The state consumer protection council is also known as “Consumer Disputes Redressal Commission”.
- ⇒ The State Consumer Protection Council is also called State Commission.

### **4. What is an term District Forum?**

- ⇒ As per the Consumer Protection act, 1986 at the district level each state established a consumer dispute redressal forum known as the District Forum.
- ⇒ The district forum consists of a president and two members.
- ⇒ The District Forum shall entertain the complaints where the value of goods or services exceeds the limit of ₹ 20 lakhs.

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

- (i) 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.
- (ii) Stamp paper is not required for declaration.
- (iii) Complaint can be registered, in person, by the complainant or through his authorised agent or by post addressed to the Redressal Agency.
- (iv) Advocates are not necessary.

### III. Short Answer Questions

#### **1. Is Consumer Protection necessary?**

- (i) Yes, consumer protection is necessary because, the consumer is to be protected against unfair trade practices of trade.
- (ii) In India there is a shortage of many products.
- (iii) A few firms enjoy monopoly power in the market place.
- (iv) A large majority of consumers are ignorant and illiterate and do not know their rights.
- (v) They are poor and there is lack of unity among them.
- (vi) They are often exploited through misleading advertisements, poor quality goods, fractional weights and measures, overcharging, etc.

#### **2. Who are the members of the National Commission?**

- ★ The National Consumer Disputes Redressal Commission has been constituted by a Notification.
- (i) The National Commission should have five members.
- (ii) One should be from judiciary.
- (iii) Four other members of ability, knowledge and experience from any other fields.
- (iv) It should include a woman.

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

- ★ The Pecuniary Jurisdiction of the State Commission is as follows.
- (i) 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 ₹ 20 lakhs and below Rupees One Crore.
- (ii) 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?**

★ Each State Commission shall consist of the following members.

- (i) A person who is or has been a Judge of a High Court appointed by the State Government as its President.
- (ii) 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.**

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

**Objectives:**

- (i) The Department of Consumer Affairs (DCA) operates the Consumer Welfare Fund (CWF).
- (ii) A wide network of Voluntary Consumer Organisation (VCO) is doing commendable work to raise awareness amongst consumers.
- (iii) VCO's supported through CWF provides grants for diverse projects including comparative testing of products and services and dissemination of the findings.

#### IV. Long Answer Questions

##### **1. Explain the overall performance of National Commission.**

###### National Commission:

- (i) The National Consumer Disputes Redressal Commission (NCDRC), India is a quasi-judicial commission in India which was set up in 1988 under the Consumer Protection Act of 1986.
- (ii) Its head office is in New Delhi.
- (iii) The Commission is headed by a serving or retired judge of the Supreme Court of India.
- (iv) The National Consumer Disputes Redressal Commission (NCDRC) is also called as National Commission.

###### Members:

- ★ The National Consumer Disputes Redressal Commission has been constituted by a Notification.
- (i) The National Commission should have five members.
- (ii) One should be from judiciary.
- (iii) Four other members of ability, knowledge and experience from any other fields.
- (iv) It should include a woman.

###### Jurisdiction:

- ★ Section 21 of The Consumer Protection Act, 1986 describes, the National Commission shall have jurisdiction
- (i) To entertain a complaint valued more than 1 Crore.
- (ii) Revised the orders of State Commissions.
- (iii) To call for the records and pass appropriate orders from the State Commission and District Forum.

###### Powers:

- (i) Adoption of uniform procedure in the hearing of the matters is followed in the National Commission.
- (ii) Prior service of copies of documents produced by one party to the opposite parties.
- (iii) Speedy grant of copies of documents are issued by the National Commission.

### Appellate Forum:

- (i) Any consumer dispute which is pending before or has been decided by any State Commission where it appears to the National Commission that such State Commission has exercised a jurisdiction not vested in it by law, or has failed to exercise a jurisdiction so vested or has acted in the exercise of its jurisdiction illegally or with material irregularity.
- (ii) Section 23 of Consumer Protection Act, 1986, provides that any person aggrieved by an order of National Commission may prefer an Appeal against such order to Supreme Court of India within a period of 30 days.

## **2. Explain the overall performance of State Commission.**

### State Commission:

- (i) The State Commission is to be appointed by the State Government in consultation with the Centre.
- (ii) It has the same function as state level.
- (iii) The state consumer protection council is also known as “Consumer Disputes Redressal Commission”.
- (iv) The State Consumer Protection Council is also called State Commission.

### Members:

★ Each State Commission shall consist of the following members.

- (i) A person who is or has been a Judge of a High Court appointed by the State Government as its President.
- (ii) 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 Jurisdiction of the State Commission is as follows.

- (i) 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.
- (ii) 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.

- (i) 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.
- (ii) To furnish such information that may be required for the purposes of the Act to any officer so specified.

**Appellate Forum:**

- (i) The State Commission's jurisdiction may be original, appellate or revision.
- (ii) Any person aggrieved by an order of the State Commission may prefer an appeal to the National Commission within 30 days from the date of such order.

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

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

**Objectives:**

- (i) The Department of Consumer Affairs (DCA) operates the Consumer Welfare Fund (CWF). The primary objective of the CWF is to strengthen the Consumer Advocacy Movement in India.
- (ii) A wide network of Voluntary Consumer Organisation (VCO) is doing commendable work to raise awareness amongst consumers.
- (iii) To strengthen consumer protection and welfare and to provide counselling, guidance and mediation services.
- (iv) VCO's supported through CWF provides grants for diverse projects including comparative testing of products and services and dissemination of the findings.
- (v) Steps have been taken to enhance transparency and to digitalise the government's interface with its citizens.

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**12 – Commerce**  
**Unit – VII Business Environment**  
**Chapter – 19 Environmental Factors**

I. Choose the Correct Answers

1. VUCA stands for  
(a) **Volatility, Uncertainty, Complexity, and Ambiguity**  
(b) Value, Unavoidable, Company and Authority  
(c) Volatility, Uncontrollable, Company and Auction  
(d) All of the above
2. GST stands for  
(a) Goods and Social Tax (b) **Goods and Services Tax**  
(c) Goods and Sales Tax (d) Goods and Salary Tax
3. Factors within an organisation constitute \_\_\_\_\_ environment.  
(a) **Internal Thinker** (b) External Thinker  
(c) Fellow human beings (d) All of the above
4. Macro Environment of business is an \_\_\_\_\_ factor.  
(a) **Uncontrollable** (b) Controllable (c) Manageable (d) Immanageable
5. The two major types of business environment are \_\_\_\_\_ and \_\_\_\_\_.  
(a) Positive and Negative (b) **Internal and External**  
(c) Good and Bad (d) Allowable and Unallowable
6. \_\_\_\_\_ environment includes weather and climatic conditions.  
(a) Micro (b) **Macro** (c) Minimum (d) Maximum

## II. Very Short Answer Questions

### **1. Define Business environment.**

According to Bayard O 'Wheeler

- ⇒ Business environment is “the total of all things external to firms and industries which affect their organisation and operations”.

### **2. What is internal environment?**

- ⇒ Internal environment refers to those factors within an organisation.
- ⇒ Example: 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.

### **5. Expand VUCA.**

- ⇒ V - Volatility
- ⇒ U - Uncertainty
- ⇒ C - Complexity
- ⇒ A - Ambiguity

### III. Short Answer Questions

#### **1. What are the political environment factors?**

★ The major elements of the legal and political environment are

- (i) Political stability is reflected by the following parameters like the election system, the law and order situation, the role and structure of Military and Police force, the declaration of President's rule, civil war etc.
- (ii) Political organisation refers to the ideology and philosophy of the political parties, the government, the role and degree of authority of bureaucracy, the level of political consciousness among citizens and the funding of political parties by business houses.
- (iii) The image of the leader and the country in the inter-national arena.
- (iv) Legal framework of business and their degree of flexibility.
- (v) The constitution of the nation.
- (vi) The Foreign policy of the country with special reference to tariffs and free trade.

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

★ The major internal factors affecting business decisions are:

##### **(i) Values system**

- ⇒ The values of the founder / owner of the business, percolates down to the entire organisation and has a profound effect on the organisation.
- ⇒ The success of an organisation depends upon the sharing of value system by all members.

##### **(ii) Vision and objectives**

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

(iii) Company image

- ★ The image of an organisation plays an important role in introducing new products, selecting agents and dealers for distribution, forging alliances with suppliers, expanding and entering new markets both domestic and international, raising finance etc.

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

- ★ The Indian Corporate Governance framework requires listed companies:

- (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?**

- ★ The Goods and Services Tax Council shall make recommendations to the Union and the States on:

- (i) The taxes, cesses and surcharges levied by the Union, the States and the local bodies which may be subsumed in the goods and services tax.
- (ii) The goods and services that may be subjected to, or exempted from the goods and services tax.
- (iii) Model Goods and Services Tax Laws, principles of levy, apportionment of Goods and Services Tax levied on supplies in the course of inter-State trade or commerce under article 269A and the principles that govern the place of supply.
- (iv) The threshold limit of turnover below which goods and services may be exempted from goods and services tax.
- (v) The rates including floor rates with bands of goods and services tax.
- (vi) Any special rate or rates for a specified period, to raise additional resources during any natural calamity or disaster.

- (vii) Any other matter relating to the goods and services tax, as the Council may decide.

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

- (i) The development in the IT and telecommunications has created a global market.
  - (ii) Technology is widely used in conducting market research for understanding the special needs of the customer.
  - (iii) Digital and social media are used as a platform for advertising and promoting the products / services.
  - (iv) Data mining and data analytics are used to know the customer better.
  - (v) Technology is used in managing inventory, storing goods in warehouses, in distributing goods and in receiving payment.
- ★ This dynamic environment also includes the following;
- (a) The level of technology available within the country
  - (b) Rate of change in technology
  - (c) Technology adopted by competitors
  - (d) Technological obsolescence

### IV. Long Answer Questions

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

- ★ The general or remote environment factors are as follows;

##### 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:

- (i) The nature of economy based on the stage of development
- (ii) The nature of economic system
- (iii) The economic policies of a nation
- (iv) Economic indices
- (v) Development of financial market
- (vi) Economic structure

## 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.
- ⇒ It is dynamic and includes the behaviour of individuals, the role and importance of family, customs, traditions, beliefs and values, religion and languages, the ethical values.

## 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;

- (i) The availability of natural resources
- (ii) The weather and climatic conditions
- (iii) Topographical factors
- (iv) Ecological factors
- (v) Location of certain industries
- (vi) Availability of natural harbours

## 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.



## 2. Describe the economic environment of business.

### 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:

(i) 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 under developed nations.

⇒ Many of these developed nations have successfully integrated the computer based technologies with their existing business.

⇒ Developing nations like India, China, Brazil Mexico are middle income economies are characterised by low to moderate industrial growth, the inequality in the distribution of income, high population, a low standard of living and slow absorption of technology.

(ii) The nature of economic system:

⇒ The economic systems can be classified as Capitalistic, Socialistic and Mixed economy.

⇒ Capitalistic economy is a free enterprise market where individual ownership of wealth is predominant.

⇒ Mixed economy is a combination of both state owned and private sector ownership.

(iii) 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.

(iv) Economic indices:

⇒ The Economic indices like GDP, GNP national income, per-capita income, balance of payments, rate of savings and investments etc. form an important part of economic environment.

(v) Development of financial market:

⇒ The organisation and development of money market, capital market securities market and, the banking system has a greater impact.

(vi) Economic structure:

⇒ The Economic structure includes capital formation, investment pattern, composition of trade balance, occupational distribution of workforce, and the structure of national output.

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

⇒ Micro environment refers to those factors which are in the immediate environment of a business affecting its performance.

★ These include the following:

(i) Financiers

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

⇒ Their financial capability, policies strategies, attitude towards risk and ability to give non-financial assistance are all important to a business.

(ii) Suppliers

⇒ In any organisation the suppliers of raw materials and other inputs play a very vital role.

⇒ Timely procurement of materials from suppliers enables continuity in production and reduces the cost of maintaining stock / inventory.

(iii) Marketing Channel members

⇒ The marketing intermediaries serve as a connecting link between the business and its customers.

⇒ The middlemen like dealers, wholesalers and retailers ensure transfer of product to customers.

⇒ Insurance firm is another marketing intermediary which provides coverage for risk in business.

(iv) Public

- ⇒ This refers to any group like media group, citizen action group and local public which has an impact on the business.
- ⇒ Many companies had to face closure due to actions by local public.

(v) Customers

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

(vi) Competitors

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

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**12 – Commerce**  
**Unit – VII Business Environment**  
**Chapter – 20 Liberalization, Privatization and**  
**Globalization**

**I. Choose the Correct Answers**

1. \_\_\_\_\_ is the result of New Industrial Policy which abolished the 'License System'.  
(a) Globalization (b) Privatization (c) **Liberalization** (d) None of these
2. \_\_\_\_\_ means permitting the private sector to setup industries which were previously reserved for public sector.  
(a) Liberalization (b) **Privatization** (c) Globalization (d) Public Enterprise
3. \_\_\_\_\_ ownership makes bold management decisions due to their strong foundation in the international level.  
(a) **Private** (b) Public (c) Corporate (d) MNC's
4. \_\_\_\_\_ results from the removal of barriers between national economies to encourage the flow of goods, services, capital and labour.  
(a) Privatization (b) Liberalization (c) **Globalization** (d) Foreign Trade
5. New Economic Policy was introduced in the year \_\_\_\_\_.  
(a) 1980 (b) **1991** (c) 2013 (d) 2015

## II. Very Short Answer Questions

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

★ The branches of New Economic Policy are:

- (i) Liberalisation
- (ii) Privatisation
- (iii) Globalisation

### **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.**

- (i) Increase in unemployment
- (ii) Loss to domestic units
- (iii) Increased dependence on foreign nations

### **4. Name the industries which are reserved for public sector.**

- (i) Arms and Ammunition
- (ii) Atomic Energy
- (iii) Coal and Lignite
- (iv) Mineral Oils
- (v) Mining of Ores
- (vi) Mining Copper
- (vii) Lead, Zinc

### **5. Give any two advantages of Globalisation.**

- (i) Increase in foreign collaboration
- (ii) Expansion of market
- (iii) Technological development

### III. Short Answer Questions

#### **1. What do you mean by Liberalisation?**

- (i) Liberalization refers to laws or rules being liberalized, or relaxed, by a government.
- (ii) 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.
- (iii) Liberalizing trade policy by the government includes removal of tariff, subsidies and other restrictions on the flow of goods and services between countries.
- (iv) Liberalization is the result of New Industrial Policy which abolished the "License system" or "Licence Raj".

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

- (i) A Public Sector undertaking, known as PSU, is a company in which majority of the stake is owned by the Government.
- (ii) Depending upon where it is owned by Central Government or State Government you call them as Central PSU and State PSU.

#### **3. State any three impacts on Globalisation.**

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

#### **4. Write a short note on New Economic Policy.**

- (i) The base for New Economic Policy in various countries of the world is Dunkel Draft.
- (ii) It was all about the General Agreements on Trade and Tariff.
- (iii) Mr. Arthur Dunkel (1932-2005) submitted a 22000 page document for the World Trade Organisation (WTO) and followed by many Nations to adopt their respective New Economic Policies.



- (iv) India is one among such nations to commit itself to the New Economic Policy in 1991.

#### IV. Long Answer Questions

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

###### Advantages of liberalisation:

(i) Increase in foreign investment

- ⇒ If a country liberalises its trade, it will make the country more attractive for inward investment.
- ⇒ Inward investment leads to capital inflows but also helps the economy through diffusion of more technology, management techniques and knowledge.

(ii) Increase the foreign exchange reserve

- ⇒ Relaxation in the regulations covering foreign investment and foreign exchange has paved way for easy access to foreign capital.

(iii) Increase in consumption

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

(iv) 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 of liberalisation:

(i) 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.

(ii) 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.

(iii) Increased dependence on foreign nations

- ⇒ Trade liberalisation means firms will face greater competition from abroad.
- ⇒ When competition is not automatically enhanced, it can lead to domination by big institution that has market controlling powers.

(iv) Unbalanced development

- ⇒ Trade liberalisation may be damaging for developing economies which cannot compete against free trade.
- ⇒ The trade liberalisation often benefits developed countries rather than developing economies.

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

### **I. Impact of Liberalization:**

- (i) Liberalization has opened up new business opportunities abroad and increased foreign direct investment.
- (ii) New market for various goods came into existence and resulted not only in urban but also in rural development.
- (iii) It became very easy to obtain loans from banks for business expansion.
- (iv) "Foreign Collaboration" is the latest outcome of liberalization.
- (v) A number of multinational companies started operating world-wide including India.

### **II. Impact of Privatization:**

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

### **III. Impact of Globalization:**

- (i) Multinational corporations (MNCs) can manufacture, buy and sell goods worldwide.
- (ii) Globalisation has led to a boom in consumer products market.
- (iii) The advent of foreign companies and growth in economy has led to job creation.

- (iv) Globalisation has touched every aspect of agriculture like technological advancement, improved production techniques and quality based enhancement.

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**12 – Commerce**  
**Unit – VIII The Sale of Goods Act 1930 and the**  
**Negotiable Instruments Act 1881**  
**Chapter – 21 The Sale of Goods Act 1930**

**I. Choose the Correct Answers**

1. Sale of Goods Act was passed in the year  
(a) 1940 (b) 1997 **(c) 1930** (d) 1960
2. Which of the below constitutes the essential element of contract of sale?  
(a) Two parties (b) Transfer of property (c) Price **(d) All of the above**
3. Which of the below is not a good?  
(a) Stocks **(b) Dividend due** (c) Crops (d) Water
4. In case of the sale, the \_\_\_\_ has the right to sell  
(a) Buyer **(b) Seller** (c) Hirer (d) Consignee
5. The property in the goods means the  
(a) Possession of goods (b) Custody of goods  
**(c) Ownership of goods** (d) Both (a) and (b)
6. Specific goods denote goods identified upon the time of \_\_\_\_\_ of sale:  
(a) Agreement **(b) Contract** (c) Order (d) Obligation
7. In which of the following types, the ownership is immediately transferred to buyer?  
(a) When goods are ascertained (b) When goods are appropriate  
**(c) Delivery to the carrier** (d) Sale or return basis
8. \_\_\_\_\_ is a stipulation which is collateral to main purpose of contract:  
**(a) Warranty** (b) Condition (c) Right (d) Agreement

9. Unpaid seller can exercise his right of lien over the goods, where he is in possession of the goods as  
(a) Owner of goods (b) Agent of buyer (c) Bailee for buyer **(d) All of these**
10. The unpaid seller can exercise his right of stoppage of goods in transit where the buyer  
**(a) Becomes insolvent** (b) Refuses to pay price  
(c) Payment of price (d) Both (b) and (c)

## II. Very Short Answer Questions

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

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

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

★ Following essential elements are necessary for a contract of sale.

- (i) Two Parties
- (ii) Transfer of Property
- (iii) Goods
- (iv) Price
- (v) Includes both 'Sale' and 'Agreement to Sell'

### 3. What is meant by 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.
- ⇒ Contingent goods are a part of future goods.

### 5. What do you understand by warranty?

- ⇒ Warranty represents a stipulation which is collateral to the main purpose of the contract.
- ⇒ The violation of warranty entitles the affected party to claim damages or compensation from the other party.

### III. 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
- (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.

##### **(ii) Ascertained Goods**

- ⇒ The term 'ascertained goods' is also used as similar in meaning to specific goods.

##### **(iii) Unascertained or Generic 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 means conditions which can be inferred from or guessed from the context of the contract.



**Implied conditions:**

- (i) Conditions as to Title
- (ii) Conditions as to Description
- (iii) Sale by Sample
- (iv) Conditions as to Quality or Fitness
- (v) Conditions as to Merchantability
- (vi) Condition as to Wholesomeness
- (vii) Condition Implied by Trade Usage

**Implied Warranties:**

- (i) Quiet Possession
- (ii) Free from Any Encumbrances
- (iii) Warranty in the case of Dangerous Goods

**IV. Long Answer Questions****1. Explain in detail the elements of Contract of sale.****(1) Two Parties**

- ⇒ A contract of sale involves two parties – the seller and the buyer.
- ⇒ The buyer and the seller should be two different persons.
- ⇒ If a person buys his own goods, there is no sale.

**(2) Transfer of Property**

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

**(3) Goods**

- ⇒ The subject matter of contract of sale must 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.
- ⇒ 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. Distinguish between sale and agreement to sell.

Sl. No.	Particulars	Sale	Agreement to Sell
1.	Ownership Transference	The property (ownership or title) in the goods passes from the seller to the buyer immediately so that the seller is no more owner.	The property (ownership or title) in the goods has to pass at a future time or after the fulfilment of certain conditions specified in the contract.
2.	Risk of Loss	Where the goods sold under the contract of sale are destroyed, the loss falls squarely on the buyer as the ownership in the goods has already passed on to the latter.  Even though the goods are in the possession of seller.	Where the goods under the agreement to sell are destroyed, the loss falls squarely on the seller as the ownership is still vested with the seller even though the possession of the goods is with the buyer.
3.	Consequences of violating the contract	Where the buyer fails to pay the price, the seller cannot seize the goods.  The seller can only file a case against the buyer for violating the contract.	Where the buyer violates the contract, the seller can repossess the goods from the former.  He can sue for damages for violation of the contract.
4.	Nature of contract	It is an executed contract i.e. completed contract.	It is an executory contract, i.e. contract yet to be performed by the party to the contract.
5.	Insolvency of the Buyer	In a sale, if a buyer becomes insolvent before he pays for the goods even though the	If the buyer becomes insolvent before the payment of the price, the seller can retain the

		goods sold are under the possession of the seller, the latter has to return them to the Official Receiver.	goods if they are under his possession.
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### 3. Classify goods under the Sale of Goods Act.



#### 1. Existing Goods

- ⇒ Existing goods are those owned or possessed by the seller at the time of contract of sale.
- ⇒ 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 term 'ascertained goods' is also used as similar in meaning to specific goods.

##### (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

- (i) 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.

- (ii) Example 'A' contractor agrees to supply 100 bags of rice to 'B' for giving marriage feast.
- (iii) It is a case of future goods.
- (iv) Similarly where the bus company agrees to buy spare parts from a particular supplier, it is an example of future contract.
- (v) Future goods represents unascertained goods.

### 3. Contingent Goods

- (i) Contingent goods are the goods, the acquisition of which by the seller depends upon a contingency (an event which may or may not happen).
- (ii) Contingent goods are a part of future goods.
- (iii) Example 'A' agrees to sell a particular painting work, provided he gets from 'C'.
- (iv) In this case, the painting work represents contingent goods.

### 4. Distinguish between Conditions and Warranty.

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

5.	Treatment	Breach of condition may be treated as breach of warranty.	Breach of warranty cannot be treated as breach of condition.
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Thank You

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**12 – Commerce**  
**Unit – VIII The Sale of Goods Act 1930 and the**  
**Negotiable Instruments Act 1881**  
**Chapter – 22 The Negotiable Instruments Act 1881**

**I. Choose the Correct Answers**

1. Negotiable Instrument Act was passed in the year \_\_\_\_\_.  
(a) 1981 (b) **1881** (c) 1994 (d) 1818
2. Negotiable Instrument is freely transferable by delivery if it is a \_\_\_\_\_ instrument.  
(a) Order (b) **Bearer** (c) Both a & b (d) None of the above
3. The transferee of a Negotiable Instrument is the one \_\_\_\_\_.  
(a) Who transfer the instrument (b) **On whose name it is transferred**  
(c) Who enchases it (d) None of the above
4. Number of parties in a bill of exchange is  
(a) 2 (b) 6 (c) **3** (d) 4
5. Section 6 of Negotiable Instruments Act 1881 deals with  
(a) Promissory Note (b) Bills of exchange (c) **Cheque** (d) None of the above
6. \_\_\_\_\_ cannot be a bearer instrument.  
(a) Cheque (b) **Promissory Note** (c) Bills of exchange (d) None of the above
7. When crossing restrict further negotiation  
(a) **Not negotiable crossing** (b) General Crossing  
(c) A/c payee crossing (d) Special crossing
8. Which endorsement relieves the endorser from incurring liability in the event of dishonor  
(a) Restrictive (b) Facultative (c) **Sans recourse** (d) Conditional



9. A cheque will become stale after \_\_\_\_\_ months of its date:  
(a) 3 (b) 4 (c) 5 (d) 1
10. Document of title to the goods excludes  
(a) Lorry receipt (b) Railway receipt (c) Airway bill (d) **Invoice**

## II. Very Short Answer Questions

### **1. What is meant by Negotiable Instrument?**

- ⇒ The word 'Negotiable' means transferable from one person to another in return for consideration.
- ⇒ The word 'Instrument' means a written document by which a right is created in favour of certain person.
- ⇒ Thus, a negotiable instrument is a document which entitles a person to a certain sum of money and which is transferable from one person to another by mere delivery or by endorsement and delivery.

### **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.**

- (i) A promissory note must be in writing.
- (ii) The promise to pay must be unconditional.
- (iii) It must be signed by the maker.

### **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.**

- ⇒ Section 15 of the Negotiable instruments Act 1881 defines endorsement as follows:
- ⇒ "When the maker or holder of a negotiable instrument signs the name, otherwise than as such maker for the purpose of negotiation, on the back or face thereof, or on a slip of paper annexed thereto or so signs for the same purpose a stamped paper intended to be completed as a negotiable

instrument, he is said to endorse the same and is called the endorsee”.

### III. Short Answer Questions

#### **1. Explain the characteristics 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**

⇒ A person taking the instrument in good faith and for value is known as holder in due course.

##### **3. Right of the transferee to sue**

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

#### **2. Distinguish between Negotiability and Assignability.**

Sl. No.	Basic of Difference	Negotiability	Assignability
1.	Legal Ownership	It passes to the transferee by mere endorsement in the case of a bearer instrument and by endorsement and delivery in the case of an order instrument.	An assignment can be made by observing certain formalities.  For instance, an instrument is to be made in writing, duly stamped and signed by the transferor or his agent.
2.	Notice	Notice is not necessary for the holder of negotiable instrument to claim the payment from the debtor.	In case of actionable claim, notice of the assignment by the transferee regarding the transfer of debt to the debtor is necessary.
3.	Nature of title	Holder of negotiable instrument in due course gets a better title than even the transferor.	The transferee's title to the instrument is subject to the defects of the transferor's title.
4.	Consideration	Consideration is presumed.	The assignee has to prove the consideration for the transfer.

### 3. What are the characteristics of a bill of exchange?

- (i) A bill of exchange is a document in writing.
- (ii) The document must contain an order to pay.
- (iii) The order must be unconditional.
- (iv) The instrument must be signed by the person who draws it.
- (v) The name of the person on whom the bill is drawn must be specified in the bill itself.
- (vi) The amount that is required to be paid must also be specified in the bill.

### 4. Distinguish between Bill of Exchange & Promissory Note.

Sl. No.	Basic of Difference	Bill of Exchange	Promissory Note
1.	Nature of Undertaking	A bill of exchange contains an unconditional order to pay money.	A promissory note contains an unconditional undertaking to pay money.
2.	No. of Parties	There are three parties in a bill of exchange drawer, drawee and payee.	In a promissory note there are only two parties the maker and the payee.
3.	Drawer of the Instrument	A creditor draws a bill on a debtor.	A debtor executes a promissory note in favour of a creditor.
4.	Bearer Instrument	A bill of exchange can be drawn payable to bearer.	A promissory note cannot be drawn payable to bearer.
5.	Acceptance	A time bill must be accepted by the drawee.	No acceptance is necessary in the case of a promissory note as it is made by the debtor himself.
6.	No. of sets	Foreign bills are drawn in sets of three.	Promissory notes are not drawn so.

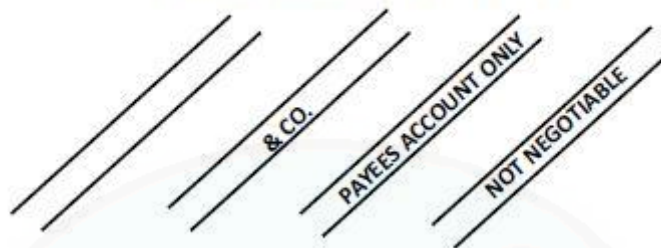
## 5. Discuss the two different types of crossing.

★ Crossing is of two types

- I. General Crossing and
- II. Special Crossing

### I. General Crossing

Specimens of General Crossing



- ⇒ According to section 123 of the Negotiable Instruments Act, 1881,
- ⇒ “Where a cheque bears across its face an addition of the words “and company” or any abbreviation thereof, between two parallel transverse lines or of two parallel transverse lines simply, either with or without the words “not negotiable” that addition shall be deemed a crossing and the cheque shall be deemed to be crossed generally”.

### II. Special Crossing

Specimens of Special or Restrictive Crossing



- ⇒ Section 124 defines special crossing as follows:
- ⇒ “Where a cheque bears across its face an addition of the name of a banker with or without the words “not negotiable”, that addition shall be deemed a crossing and the cheque shall be deemed to be crossed specially and to be crossed to that banker”.

#### IV. Long Answer Questions

##### **1. Mention the presumptions of Negotiable Instruments.**

- (i) Every negotiable instrument is presumed to have been drawn, accepted etc. for consideration.
- (ii) A negotiable instrument is presumed to have been accepted.
- (iii) Every negotiable instrument bearing, a date is presumed to have been made or drawn on such a date.
- (iv) It is presumed to have been accepted within a reasonable time after the date and before its maturity.
- (v) The transfer of a negotiable instrument is presumed to have been made before maturity.
- (vi) The endorsements appearing upon a negotiable instrument are presumed to have been made in the order to which they appear thereon.

##### **2. Distinguish a cheque and a bill of exchange.**

Sl. No.	Basic of Difference	Cheque	Bill of Exchange
1.	Drawn	A cheque can be drawn only on a particular banker.	A bill of exchange can be drawn on any person including a banker.
2.	Payability	It is payable on demand only.	It is payable on demand or on the expiry of a certain period.
3.	Validity	A cheque drawn payable to bearer on demand is perfectly valid.	A bill made payable to bearer on demand is void by virtue of section 31 of the RBI Act.
4.	Acceptance	A cheque does not require any acceptance.	In case of time bill, acceptance by the drawee is necessary before he can be made liable on it.
5.	Grace period	No days of grace are allowed in the case of a cheque for the simple reason that it is always payable on demand.	Three days of grace are allowed while calculating the maturity date in the case of time bill.



6.	Notice	Notice is not necessary for a cheque.	When a bill is dishonoured, notice of dishonour is necessary.
7.	Sets	It is not so in case of cheque.	Foreign bills of exchange are drawn in sets of three.
8.	Discounting	A cheque cannot be discounted.	A bill can be discounted with a bank.
9.	Stamping	Cheques need not be stamped.	Bills are to be sufficiently stamped.
10.	Currency	A cheque is payable only in home currency.	A bill can be drawn and payable in any currency.

### 3. Discuss in detail the features of a cheque.

#### (i) Instrument in Writings

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

#### (ii) Unconditional Orders

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

#### (iii) Drawn on a Specified Banker Only

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

#### (iv) A Certain Sum of Money Only

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

#### (v) Payee to be certain

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



(vii) Signed by the Drawer

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

**4. What are the requisites for a valid endorsement?**

★ If an endorsement is to be valid, it must possess the following requisites:

- (i) Endorsement is to be made on the face of the instrument or on its back.
- (ii) When there is no space for making further endorsements a piece of paper can be attached to the negotiable instrument for this purpose.
- (iii) 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.
- (iv) Endorsement for only a part of the amount of the instrument is invalid.
- (v) Endorsement is complete only when delivery of the instrument is made.
- (vi) It is presumed that the endorsements appearing on a negotiable instrument were made in the order in which they appear thereon.
- (vii) Signing in block letters does not constitute regular endorsement.
- (viii) The prefixes or suffixes added to the names of the payees or endorsees must be omitted in the endorsement.
- (ix) Endorsement must be in link.
- (x) If the payee is an illiterate person, he can endorse it by affixing his thumb impression on the instrument.

## 5. Explain the different kinds of endorsements.

### 1. Endorsement in blank or general endorsement

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

### 2. Endorsement in full or special endorsement

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

### 3. Conditional or qualified endorsement

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

### 4. Restrictive endorsement

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

### 5. Sans recourse endorsement

⇒ Ordinarily the endorser becomes liable to subsequent parties in the event of dishonour of the instrument.  
⇒ But if he makes it clear that the subsequent holders should not look to him for payment in case it is dishonoured, the endorsement is called Sans Recourse Endorsement.

### 6. 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.

### 7. Partial Endorsement

⇒ Where the endorsement seeks to transfer only a part of the amount payable under the instrument, the endorsement is called Partial Endorsement.

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**12 – Commerce**  
**Unit – IX Entrepreneurship Development**  
**Chapter – 23 Elements of Entrepreneurship**

I. Choose the Correct Answers

1. Which of the below is a factor of production?  
(a) Land (b) Labour (c) Entrepreneurship **(d) All of the above**
2. Entrepreneur is not classified as  
(a) Risk Bearer (b) Innovator **(c) Employee** (d) Organizer
3. What are the characteristics of an entrepreneur?  
(a) Spirit of enterprise (b) Flexibility (c) Self Confidence **(d) All of the above**
4. Which of the below is not classified into managerial functions?  
(a) Planning **(b) Marketing** (c) Organizing (d) Controlling
5. Which of the below is a commercial function?  
**(a) Accounting** (b) Coordination (c) Discovery of idea (d) Planning

II. Very Short Answer Questions

**1. Mention any two characteristics of entrepreneurs.**

- (i) Spirit of Enterprise
- (ii) Self Confidence
- (iii) Flexibility
- (iv) Innovation
- (v) Resource Mobilisation

**2. List down the managerial functions of entrepreneurs.**

- (i) Planning
- (ii) Organising
- (iii) Directing
- (iv) Controlling

(v) Coordination

**3. List down the promotional functions of entrepreneurs.**

- (i) Discovery of Idea
- (ii) Determining the business objectives
- (iii) Detailed Investigation
- (iv) Choice of form of enterprise
- (v) Fulfilment of the formalities
- (vi) Preparation of Business Plan
- (vii) Mobilisation of funds
- (viii) 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.
- ⇒ Intrapreneur usually use the resources and capabilities of the firm to work on the project or on the idea.

**5. List the challenges faced by the women entrepreneurs.**

- (i) Problem of Finance
- (ii) Limited Mobility
- (iii) Lack of Education
- (iv) Lack of Network Support
- (v) Stiff Competition
- (vi) Sensitivity
- (vii) Lack of Information
- (viii) Dependent culture

**III. Short Answer Questions**

**1. Define Entrepreneur.**

- ⇒ According to J.A. Schumpeter Joseph A. Schumpeter, "Entrepreneurship is essentially a creative activity.
- ⇒ It consists of doing such things as are generally not done in ordinary course of business.
- ⇒ An entrepreneur is one who innovates, i.e. carries out new combination or enterprise."

## 2. Distinguish between entrepreneur and Manager.

S. No.	Basis of difference	Entrepreneur	Manager
(i)	Motive	The very motive of an entrepreneur is to start a venture by setting of an entity.	The very motive of manager is to render service in an entity setup for execution of venture.
(ii)	Status	Entrepreneur is owner of the entity.	Manager is a salaried employee in the entity set up for carrying on the venture.
(iii)	Risk Bearing	Entrepreneur bears the eventual risk and uncertainty in operating the enterprise.	Manager doesn't bear any risk in the venture where the venture is unsuccessful he/she simply quits the enterprise.

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

### (i) Production or Manufacturing

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

### (ii) Marketing

⇒ Entrepreneur has to carry out following functions pertaining to marketing aspect namely consumer research, product planning and development, standardisation, packaging, pricing, warehousing, distribution, promotion etc.

### (iii) Accounting

⇒ Entrepreneur has to arrange to prepare trading and profit and loss account in order to know the profit or loss incurred out of operation of the business and prepare balance sheet to know the financial status of business at a particular day.

### (iv) Finance

⇒ In the sphere of financial function, an entrepreneur has to take decisions like choosing the right type of financing, framing the best dividend policy, acquiring of funds, efficiently managing fixed and current assets, maximising shareholders wealth and investing of funds efficiently and effectively.

(v) Human Resource Management

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

**4. Explain the promotional functions of entrepreneur.**

(i) Discovery of Idea

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

(ii) Detailed Investigation

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

(iii) 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, company and co-operatives etc.

(iv) Preparation of Business Plan

- ⇒ Entrepreneur has to prepare a business plan or project report of the venture that he is proposing to take up.

(v) Fulfilment of the formalities

- ⇒ Having chosen the appropriate type of organisation, entrepreneur has to take necessary steps to establish the form of organisation chosen.
- ⇒ As regards sole trader, the formalities are barest minimum. In the case of partnership firm, entrepreneur has to arrange for partnership deed and he has to get the deed registered.

(vi) Mobilisation of funds

- ⇒ Entrepreneur has to take steps to mobilise capital needed to implement the venture.
- ⇒ Entrepreneur has to estimate the fixed capital and working capital required for running the project.



#### IV. Long Answer Questions

### **1. How do you Classify entrepreneurs.**

#### **(i) Entrepreneur as a Risk Bearer**

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

#### **(ii) Entrepreneur as an Organiser**

- ⇒ According to Jean Baptize, entrepreneur is one who brings together various factors of production and creates an entity to produce product or service and supervises and coordinates several functions in the process.

#### **(iii) Entrepreneur as an Innovator**

- ⇒ Joseph A Schumpeter in the year 1934 used innovation as a criterion to define an individual as entrepreneur.

★ According to him, entrepreneur is one who

- (a) Introduces a brand new product in the market.
- (b) Institutes new technology to produce a product.
- (c) Discovers new course of supply of raw materials.
- (d) Discovers new product hitherto untapped.
- (e) 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?**

#### **(i) Spirit of Enterprise**

- ⇒ Entrepreneur should be bold enough to encounter risk arising from the venture undertaken.
- ⇒ Entrepreneur should not get discouraged by setbacks or frustrations emerging during the course of entrepreneurial journey.

#### **(ii) Self Confidence**

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

**(iii) Flexibility**

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

**(iv) Innovation**

- ⇒ Entrepreneur should contribute something new or something unique to meet the changing requirements of customer's namely new product, new method of production or distribution, adding new features to the existing product, uncovering a new territory for business, innovating new raw material etc.

**(v) Resource Mobilisation**

- ⇒ Entrepreneur should have the capability to mobilise both tangible inputs like manpower, money materials, technology, market, method etc., which are scattered over a wide area and certain intangible inputs like motivation, morale and innovativeness cannot be purchased in the market outright.

**(vi) Hard work**

- ⇒ Entrepreneur should put in strenuous efforts and constant endeavours to accomplish the goals of the venture successfully.
- ⇒ They have to courageously face uncertainties, risks and constraints.

**3. Distinguish between an Entrepreneur and an Intrapreneur.**

S. No.	Basis	Entrepreneur	Intrapreneur
1.	Thinking	Entrepreneur is a free thinker.	Intrapreneur is forced to think independently but within scope of business activities undertaken in the enterprise.
2.	Dependency	Entrepreneur is an independent person.	Intrapreneur is dependent on the entrepreneur. He is an employee.
3.	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.
4.	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.
5.	Risk Bearing	Entrepreneur bears the risk involved in the venture undertaken.	Intrapreneur does not bear any risk in the venture and does not even share the risk inherent in the project or work assigned.  However Intrapreneur is accountable for the task or project assigned.
6.	Status	Entrepreneur is owner, and doesn't report to anybody in the venture.	Intrapreneur is a salaried employee.
7.	Operation	Entrepreneur operates mostly outside the enterprise.	Intrapreneur operates within the enterprise.

#### 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.
- ⇒ 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, marketing the products, applying technology etc.
- ⇒ This reduces the efficiency of operating the business successfully.

### 4. Lack of Network Support

- ⇒ The successful operation of any venture irrespective of the size depends upon the network of support extended by various constituencies like family members, friends, relatives, acquaintances, neighbours, institutions and so on.
- ⇒ Women entrepreneurs need much needed psychological support and wiser counselling especially during the time they actually encounter challenges. But it is reported that women entrepreneurs get very limited support in times of crisis from most of these constituencies.

### 5. Stiff Competition

- ⇒ Women entrepreneurs have to face acute competition for their goods from organised sector and from their male counterparts.
- ⇒ Since they are not able to spend liberally due to financial constraints, they are not able to compete effectively and efficiently in the market.

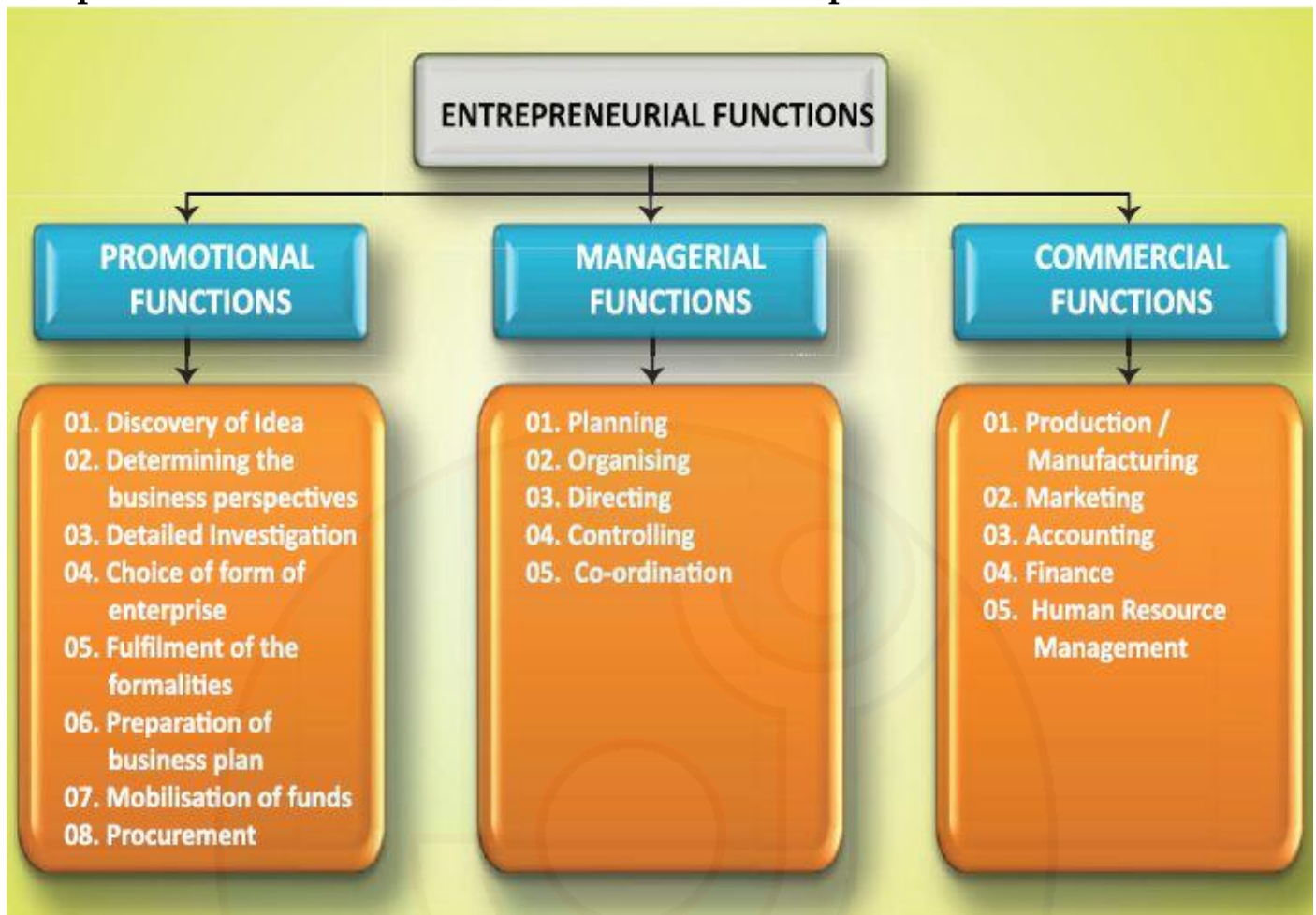
### 5. Stiff Competition

- ⇒ Women entrepreneurs have to face acute competition for their goods from organised sector and from their male counterparts.
- ⇒ Since they are not able to spend liberally due to financial constraints, they are not able to compete effectively and efficiently in the market.

### 7. Lack of Information

- ⇒ Women entrepreneurs are reported not to be generally aware of subsidies and incentives available for them due to their poor literacy levels or due to their pre occupation with household responsibilities.

## 5. Explain in detail the various functions of an entrepreneur.



### I. Promotional Functions

#### (i) Discovery of Idea

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

#### (ii) Preparation of Business Plan

- ⇒ Entrepreneur has to prepare a business plan or project report of the venture that he is proposing to take up.
- ⇒ This plan helps entrepreneur to achieve various objectives formulated within a specified period of time.



### (iii) Mobilisation of funds

- ⇒ Entrepreneur has to take steps to mobilise capital needed to implement the venture.
- ⇒ Entrepreneur has to estimate the fixed capital and working capital required for running the project.

## II. Managerial Functions

### (i) Planning

- ⇒ Under planning, entrepreneur has to lay down the objectives, goals, vision, mission, policies, procedures, programmes, budget, schedules etc., for enabling the venture to proceed towards established destinations.

### (ii) Directing

- ⇒ The process of directing involves issuing orders and instructions, guiding, counselling and mentoring of employees, supervising employees, maintaining discipline, motivating employees and providing leadership.

### (iii) 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.

## III. Commercial Functions

### (i) Production or Manufacturing

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

### (ii) Marketing

- ⇒ Entrepreneur has to carry out following functions pertaining to marketing aspect namely consumer research, product planning and development, standardisation, packaging, pricing, warehousing, distribution, promotion etc.

### (iii) Accounting

- ⇒ Entrepreneur has to arrange to prepare trading and profit and loss account in order to know the profit or loss incurred out of operation of the business and prepare balance sheet to know the financial status of business at a particular day.



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**12 – Commerce**  
**Unit – IIX Entrepreneurship Development**  
**Chapter – 24 Types of Entrepreneurs**

I. Choose the Correct Answers

1. Choose the type of entrepreneur that isn't based on function:  
(a) Innovative **(b) Classical** (c) Fabian (d) Drone
2. Choose the type of Entrepreneur that is not based on Motivation:  
(a) Pure **(b) Corporate** (c) Spontaneous (d) Induced
3. Which of the following is the Activity of a Business Entrepreneur?  
(a) Production (b) Marketing (c) Operation **(d) All of the above**
4. Find the odd one out in context of Trading Entrepreneur.  
(a) Selling (b) Commission (c) Buying **(d) Manufacturing**
5. Corporate Entrepreneur is also called as \_\_\_\_  
(a) Intrapreneur **(b) Promoter** (c) Manager (d) Shareholder
6. Poultry, Flowers, Fruits etc are called allied Products of \_\_\_\_\_ entrepreneur.  
(a) Corporate (b) Retail (c) Trading **(d) Agricultural**
7. \_\_\_\_\_ Entrepreneur Supply Services Unlike.  
(a) Hoteliers (b) Banking (c) Airlines **(d) Livestock**
8. Motive of a Pure Entrepreneur is  
(a) Rendering service (b) Earning profit (c) Attaining status **(d) Both b & c**
9. Which of these is based on Technology?  
(a) Modern **(b) Professional** (c) Corporate (d) Industrial
10. Which of the below is not a Characteristic of a Fabian Entrepreneur?  
(a) Conservative (b) Risk adverse (c) Sceptical **(d) Adaptive**

## II. Very Short Answer Questions

### 1. What is the other name of business entrepreneur?

⇒ Business entrepreneur is called Solo Entrepreneur.

### 2. Mention the other name for corporate entrepreneur.

⇒ Corporate entrepreneur is called promoter.

### 3. Who are agricultural entrepreneur?

⇒ Agricultural entrepreneurs are those entrepreneurs who raise farm products and market them.

⇒ They use the various inputs like labour, fertilizer, insecticide, water technology etc.

### 4. State the name of the following ventures:

- (a) Started by individuals for profit motive – **Private 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.

- (i) Dhirubai
- (ii) Ambani
- (iii) Jamshadji Tata
- (iv) T.V. Sundaram Iyengar
- (v) Seshadriji
- (vi) Birla
- (vii) Narayanamurthi

## III. Short Answer Questions

### 1. Who is a private entrepreneur?

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

### 2. How does a professional entrepreneur operate?

- (i) 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.

- (ii) He/she simply sells out the venture started by him to someone else after its successful take-off.
- (iii) They keep on conceiving new ideas to develop alternative projects.
- (iv) In short, these entrepreneurs have got professional expertise in starting the venture and exiting it after the establishment.

### **3. Explain about the imitative entrepreneur.**

- (i) Imitative entrepreneur is one who simply imitates existing skill, knowledge or technology already in place in advanced countries.
- (ii) A simply reengineer or redesign the products developed in advanced countries and produce a version suited to their local conditions.
- (iii) For example, many electronic products invented in advanced countries are simply reengineered in developing countries.
- (iv) Similarly 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.**

- (i) These entrepreneurs are said to be conservatives and sceptical about plasticising any change in their organisation.
- (ii) They are of risk-averse type.
- (iii) They do not simply change to the changes happening in the environment.
- (iv) But they adapt themselves to the changes only as a last resort when they fear that non adaptability to changes will inevitably lead to loss or collapse of the enterprise.
- (v) Their dealings are governed by customs, religion, tradition and past practices handed down to them by their ancestors.

#### IV. Long Answer Questions

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

#### **(i) 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 takes up production, operations and pursues marketing activities.

#### **(ii) Trading Entrepreneur**

- ⇒ Trading entrepreneurs are those who restrict themselves to buying and selling finished goods.
- ⇒ They may be engaged in domestic and international trade.
- ⇒ Their core strength lies in distribution and marketing.
- ⇒ They get their income by way of commission and marketing.

#### **(iii) Industrial Entrepreneur**

- ⇒ These are entrepreneurs who manufacture products to cater to the needs of consuming public after identifying the need left unfulfilled by the manufacturer hitherto.
- ⇒ Industrial entrepreneurs mobilise the resources of various types and create an entity to manufacture the products or service.

#### **(iv) Corporate Entrepreneur**

- ⇒ Corporate entrepreneur is called promoter.
- ⇒ He/she takes initiative necessary to start an entity under corporate format.
- ⇒ Corporate entrepreneur assembles all the resources and put in place organisation to run the business on a day-to-day basis.

#### **(v) 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.

## 2. Discuss the nature of functional entrepreneurs.

### 1. Innovating Entrepreneur

- ⇒ Innovative entrepreneur is one who is always focussed on introducing a new project or introducing something new in the venture already started.
- ⇒ Their innovation may take the form of brand new product, upgraded product, discovering untapped market, new method of production, reengineering of existing product, new method of distribution of product, simplification of complex process, adoption of a distinct process and so on.

### 2. Imitative Entrepreneur

- ⇒ Imitative entrepreneur is one who simply imitates existing skill, knowledge or technology already in place in advanced countries.
- ⇒ A simply reengineer or redesign the products developed in advanced countries and produce a version suited to their local conditions.

### 3. Fabian Entrepreneur

- ⇒ These entrepreneurs are said to be conservatives and sceptical about plasticising any change in their organisation.
- ⇒ Their dealings are governed by customs, religion, tradition and past practices handed down to them by their ancestors.
- ⇒ They would like to follow in the footsteps of predecessors.
- ⇒ 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 doggedly pursuing their conventional practices.

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**12 – Commerce**  
**Unit – IX Entrepreneurial Development**  
**Chapter – 25 Government Schemes for**  
**Entrepreneurial Development**

**I. Choose the Correct Answers**

1. The \_\_\_\_\_ initiative was launched to modernize the Indian economy to make all governments services available electronically.  
(a) Standup India (b) Startup India (c) **Digital India** (d) Make in India
2. \_\_\_\_\_ is designed to transform India to a global design and manufacturing hub.  
(a) Digital India (b) **Make in India** (c) Start up India (d) Design India.
3. \_\_\_\_\_ is the Government of India's endeavour to promote culture of innovation and entrepreneurship.  
(a) **AIM** (b) STEP (c) SEED (d) AIC
4. \_\_\_\_\_ should cover aspects like sources of finance, technical know-how, source of labour and raw material, market potential and profitability.  
(a) Technical Report (b) Finance Report (c) **Project Report** (d) Progress Report
5. \_\_\_\_\_ has to include the mechanism for managing venture in the project report.  
(a) Banker (b) Government (c) Lending Institutions (d) **Entrepreneur**

**II. Very Short Answer Questions**

**1. Name any four Governmental Entrepreneurial schemes.**

- (i) Startup India
- (ii) Make in India
- (iii) Digital India
- (iv) Stand-Up India



**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.**

- (i) Long term finance
- (ii) Short term finance

**III. Short Answer Questions****1. What is 'Startup India'?**

- (i) Through the Startup India initiative, Government of India promotes entrepreneurship by mentoring, nurturing and facilitating startups throughout their life cycle.
- (ii) Since its launch in January 2016, the initiative has successfully given a head start to numerous aspiring entrepreneurs.
- (iii) A 'Fund of Funds' has been created to help startups gain access to funding.

**2. Expand the following:**

<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, and social impact to set up small dairy farms and incentives are provided to cover the cost of the required equipment or establishment of the facility.

**(b) Project report**

- ⇒ Project reports need to be prepared according to the format prescribed in the loan application form of term lending institutions.
- ⇒ This report should cover aspects like sources of finance, technical know-how, sources of labour and raw materials, market potential and profitability.

**IV. Long Answer Questions****1. Explain any five Government Entrepreneurial schemes.****(i) Make in India**

- ⇒ This scheme is designed to transform India into a global design and manufacturing hub, the Make in India initiative was launched in September 2014.
- ⇒ It came as a powerful call to India's citizens and business leaders, and an invitation to potential partners and investors around the world to centralize information about opportunities in India's manufacturing sector.

**(ii) Atal Innovation Mission (AIM)**

- ⇒ AIM is the Government of India's endeavour to promote a culture of innovation and entrepreneurship, and it serves as a platform for promotion of world-class Innovation Hubs, Grand Challenges, start-up businesses and other self-employment activities, particularly in technology driven areas.

**(iii) Support to Training and Employment Programme for Women (STEP)**

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

**(iv) 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.

**(v) Pradhan Mantri Kaushal Vikas Yojana (PMKVY)**

- ⇒ A flagship initiative of the Ministry of Skill Development and Entrepreneurship (MSDE).

- ⇒ This is a Skill Certification initiative which aims to train youth in industry-relevant skills to enhance employment opportunities for livelihood creation and employability.

## **2. Describe the steps promoting Entrepreneurial venture.**

### **(i) 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.

### **(ii) 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.

### **(iii) Selection of Site**

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

### **(iv) Designing Capital Structure**

- ⇒ Entrepreneur has to determine the source of finance 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.

### **(v) Acquisition of Manufacturing know-how**

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

### **(vi) Preparation of project report**

- ⇒ Project reports needs to be prepared according to the format prescribed in the loan application form of term lending institutions.  
⇒ An entrepreneur can get the report prepared either by technical consultancy organisation or by auditors or by consultants or by development agencies.

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**12 – Commerce**  
**Unit – X Company Law and Secretarial Practice**  
**Chapter – 26 Companies Act 2013**

**I. Choose the Correct Answers**

1. The Company will have to issue the notice of situation of Registered Office to the Registrar of Companies within \_\_\_\_\_ days from the date of incorporation.  
(a) 14 days (b) 21 days **(c) 30 Days** (d) 60 Days
2. How does a person who envisages the idea to form a company called?  
(a) Director (b) Company Secretary (c) Registrar **(d) Promoter**
3. For which type of capital a company pays the prescribed fees at the time of registration?  
(a) Subscribed Capital **(b) Authorized Capital** (c) Paid-up Capital (d) Issued Capital
4. Which of the following types of shares are issued by a company to raise capital from the existing shareholders?  
(a) Equity Shares **(b) Rights Shares** (c) Preference Shares (d) Bonus Shares
5. Specify the type of resolution to be passed to choose the location of Registered Office of the company within the town or village or city.  
(a) Ordinary (b) Special (c) Either Ordinary **(d) Board or Special**
6. Who can issue stock?  
**(a) Public** (b) Private (c) One Person (d) Small
7. Specify the document which comes under the Negotiable Instrument Act.  
(a) Share Certificate (b) Share **(c) Share Warrant** (d) Stock
8. The shares which are offered to the existing shareholder at free of cost is known as  
**(a) Bonus Share** (b) Equity Share (c) Right Share (d) Preference Share

9. The shares which are offered first to the existing shareholder at reduced price is known as \_\_\_\_\_.  
(a) Bonus Share (b) Equity Share (c) **Right Share** (d) Preference Share
10. The Companies Act 2013 prohibits the issue of shares at \_\_\_\_\_ to the public.  
(a) Premium (b) Par (c) **Discount** (d) Both at par and Premium

## II. 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:

- (i) Promotion
- (ii) Registration
- (iii) Capital Subscription
- (iv) Commencement of Business

### 2. What is Share?

- ⇒ The term Share is viewed by a layman as a fraction or portion of total capital of the company which have equal denomination.
- ⇒ In simple, 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.

### 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.

### III. 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.
  - (i) To write off preliminary expenses.
  - (ii) To write off the expenses of issue, or commission paid, or discount allowed, on issue of shares or debentures of the company.
  - (iii) To provide for the payment of premium on the redemption of any redeemable preference shares or debentures of the company.
- ⇒ Security premium is not available for distribution of dividend.

#### **2. Explain different Kinds of Preference shares.**

- (i) 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.
- (ii) 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) Redeemable Preference shares
  - ⇒ Such preference shares can be claimed after a fixed period or after giving due notice.



## (iv) 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.

## (v) 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.

## (vi) Non-convertible Preference shares

⇒ Nonconvertible preference shares cannot be, at any time, converted into equity shares.

## (vii) Participating Preference shares

⇒ Such shares have the right to participate in any additional profits, after paying the equity shareholders.

## (viii) Non-Participating Preference shares

⇒ Non participating preference shares do not possess any right to participate in surplus profits or any surplus gained at the time of liquidation of the company.

#### IV. Long Answer Questions

##### 1. Write the difference between Debentures and Shares.

S. No.	Debentures	Shares
(i)	Debentures constitute a loan.	Shares are part of the capital of a company.
(ii)	Middle and Lower Level	Top level
(iii)	Debenture holder gets fixed rate of Interest which carries a priorities over dividend.	Shareholders gets dividends with a varying rate.
(iv)	Debentures generally have a charge on the assets of the company.	Shares do not carry any such charge.
(v)	Debentures can be issued at a discount without restrictions.	Shares cannot be issued at a discount.
(vi)	Debenture holders do not have any voting right.	Shareholders enjoy voting right.

(vii)	Interest paid on debenture is a business expenditure and allowable deduction from profits.	Dividend is not allowable deduction as business expenditure.
(viii)	Return of allotment is not required for allotment of debentures.	Return of allotment in e-Form No. 2 is to be filed for allotment of shares.

## 2. Brief different stages in Formation of a Company.

★ 'Formation of a Company' has been divided into four stages:

- (I) Promotion
- (II) Registration
- (III) Capital Subscription and
- (IV) Commencement of Business

### I. Promotion

⇒ The stage of promotion starts when a promoter conceives the idea to form a company and ends when the company is formed and is handed over to the directors.

### II. Incorporation or Registration

⇒ 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

### III. Capital Subscription

⇒ 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) Despatch allotment letters to allottees

#### IV. Commencement of Business

⇒ As per section 11 of the Act, a company having share capital should file with the Registrar, declaration stating that

- (i) Every subscriber to the Memorandum has paid the value of shares agreed to be taken by him.
- (ii) Paidup capital is not less than Rs.5 lakhs in the case of public limited company and Rs.1 lakh in the case of private limited company.
- (iii) It has filed the Registrar the verification of the registered office.

⇒ These restrictions in section 11 are applicable to companies having share capital.

⇒ It can commence business only after fulfilling all the formalities mentioned above and exercise borrowing powers immediately after incorporation.

### 3. What are the various kinds of Debentures?

★ Debentures are generally classified into different categories on the basis of:

- (I) Convertibility of the Instrument
- (II) Security of the Instrument
- (III) Redemption ability
- (IV) Registration of Instrument

#### I. On the basis of convertibility

(i) Non Convertible Debentures (NCD):

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

(ii) Partly Convertible Debentures (PCD):

⇒ A part of these instruments are converted into Equity shares.

(iii) Fully convertible Debentures (FCD):

⇒ These are fully convertible into Equity Shares.

(iv) Optionally Convertible Debentures (OCD):

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

II. On the basis of Security

(i) Secured Debentures:

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

(ii) Unsecured Debentures:

⇒ These instruments are unsecured against the assets.

III. On the basis of Redeemability

(i) Redeemable Debentures:

⇒ It refers to the debentures which will be redeemed in future.

(ii) Irredeemable Debentures:

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

IV. On the basis of Registration

(i) Registered Debenture:

⇒ Registered debentures are issued in the name of a particular person, who registered by the company.

(ii) Bearer debentures:

⇒ Bearer debentures are issued to bearer, and are negotiable instruments, and transferable by mere delivery.

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**12 – Commerce**  
**Unit – X Company Law and Secretarial Practice**  
**Chapter – 27 Companies Management**

I. Choose the Correct Answers

1. A person shall hold office as a director in \_\_\_\_\_ companies as per the Companies Act, 2013.  
(a) 5 companies (b) 10 companies **(c) 20 companies** (d) 15 companies
2. Which \_\_\_\_\_ Director is appointed by a financial institution.  
**(a) Nominee** (b) Additional (c) Women (d) Shadow
3. A Private Company shall have a minimum of \_\_\_\_\_.  
(a) Seven directors (b) Five directors (c) Three directors **(d) Two directors**
4. A Public Company shall have a minimum of \_\_\_\_\_ Directors.  
(a) Twelve (b) Seven **(c) Three** (d) Two
5. A Public Company having a paid up Share Capital of Rs. \_\_\_\_\_ or more may have a Director, elected by such small shareholders.  
(a) One crore (b) Three crore **(c) Five crore** (d) Seven crore
6. Under the companies Act, which one of the following powers can be exercised by the Board of Directors?  
(a) Power to sell the company's undertakings  
**(b) Power to make call**  
(c) Power to borrow money in excess of the paid up capital  
(d) Power to reappoint an auditor
7. Which director need not hold qualifying shares?  
**(a) Directors appointed to Central Government**  
(b) Directors appointed to Shareholders.  
(c) Directors appointed to Managing Director  
(d) Directors appointed to Board of Directors

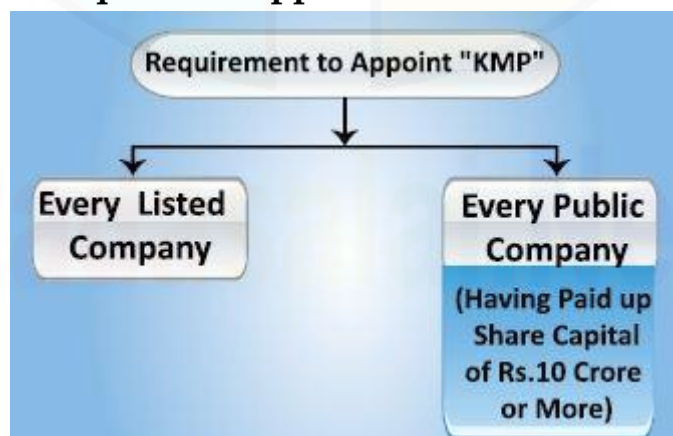
8. What is the statue of Directors who regulate money of the company?  
(a) Banker (b) Holder (c) Agent **(d) Trustees**
9. According to Companies Act, the Directors must be appointed by the.  
(a) Central Government (b) Company Law Tribunal  
**(c) Company in General Meeting** (d) Board of Directors
10. The Board of Directors can exercise the power to appoint directors in the case of.  
(a) Additional Directors (b) Filling up the Casual vacancy  
(c) Alternate Directors **(d) All the above**

## II. Very Short Answer Questions

### 1. Define Director.

- ⇒ The Companies Act 2013 section 2 (34) defines a director appointed to the board of a Company is
- ⇒ "A Person who is appointed or elected member of the Board of Directors of a company and has the responsibility of determining and implementing policies along with others in the board.
- ⇒ It is not necessary to, hold any shares in the company or be an employee.
- ⇒ Directors act on the basis of resolutions made in the Board of Directors meeting according to their powers stated in the Articles of Association of the company."

### 2. Name the companies required to appoint KMP.





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

**5. Who can be Executive Director?**

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

**III. Short Answer Questions****1. When are alternative directors appointed?**

- (i) 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.
- (ii) The appointment must be authorised either by the Articles of Association of the company or by a passing a resolution in the General Meeting.
- (iii) 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.****(i) In case of One Person Company**

⇒ The requirement of directors is one.

**(ii) Other Private Companies**

⇒ The minimum requirement of Directors is two.

#### IV. Long Answer Questions

##### **1. Who are the KMP?**

★ The definition of the term Key Managerial Personnel is contained in Section 2(51) of the Companies Act, 2013.

★ This Section states:

- (i) The Chief Executive Officer
- (ii) The Managing Director or the Manager
- (iii) The Company Secretary
- (iv) The Whole-time Director
- (v) The Chief Financial Officer
- (vi) Such other officer as may be prescribed

##### **2. Brief different types of Directors.**

###### **(i) Residential Director**

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

###### **(ii) Independent Director**

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

###### **(iii) 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.

###### **(iv) 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".

###### **(v) Women Director**

⇒ There should be at least one woman as a director on the Board.

###### **(vi) Additional Directors**

⇒ Any Individual can be appointed as Additional Directors by a company.

(vii) 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.

(viii) 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:

- (i) A director must be a person of sound mind.
- (ii) A director must hold share qualification, if the article of association provides such.
- (iii) A director must be an individual.
- (iv) A director should be a solvent person.
- (v) A director should not be convicted by the Court for any offence, etc.

**4. State the Criminal liabilities of Directors.**

★ Directors will be liable with a fine and imprisonment or both for fraud of noncompliance of any statutory provisions in the following situations where

- (i) There is mis-statement in Prospectus
- (ii) There is failure to file return on allotment with the registrar
- (iii) There is failure to give notice to the registrar for conversion of share into stock
- (iv) There is failure to issue share Certificate and Debenture certificate
- (v) There is failure to maintain register of the members and register of debenture holders
- (vi) There is default in holding Annual General Meeting
- (vii) There is failure to provide Financial Statements

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**12 – Commerce**  
**Unit – X Company Law and Secretarial Practice**  
**Chapter – 28 Company Secretary**

I. Choose the Correct Answers

1. Mention the status of a Company Secretary in a company.  
(a) A member (b) A director (c) An independent (d) **An employee contractor**
2. Who can become a secretary for a company?  
(a) **Individual person** (b) Partnership firm  
(c) Co-operative societies (d) Trade unions
3. Which meeting will be held only once in the life time of the company?  
(a) **Statutory** (b) Annual General (c) Extra – ordinary (d) Class General
4. Board Meetings to be conducted minimum \_\_\_\_\_ times in a year.  
(a) 2 (b) 3 (c) **4** (d) 5
5. Who is not entitled to speak at the annual general meeting of the company?  
(a) Auditor (b) Shareholder (c) **Proxy** (d) Directors
6. Mention the company which need not convene the Statutory Meeting.  
(a) Widely held public (b) **Private Limited**  
(c) Public Limited (d) Guarantee having a share capital
7. From the date of its incorporation the First Annual General Meeting is to be conducted within \_\_\_\_\_ months.  
(a) Twelve (b) Fifteen (c) **Eighteen** (d) Twenty one
8. What percentage of shareholders is needed to pass special resolution?  
(a) It must be unanimous (b) Not less than 90%  
(c) **Not less than 75%** (d) More than 50%
9. A special resolution must be filed with the Registrar within  
(a) 7 days (b) 14 days (c) **30 days** (d) 60 days

10. A special resolution is required to  
(a) Redeem the debentures (b) Declare dividend  
(c) Appoint directors **(d) Appoint auditor**

## II. Very Short Answer Questions

### 1. Who is a Secretary?

- ⇒ A person is appointed to perform activities which are confidential in nature and manage the day-to-day business of the company.
- ⇒ The person who steers the company holding the administrative, financial, and overall performance of the company is called company secretary.

### 2. What is meant by Meeting?

- ⇒ A company meeting must be convened and held in perfect compliance with the various provisions of the Act and the rules framed there under.
- ⇒ It is essential that the business dealt with at the meetings, should be validly transacted and not liable to be questioned later due to any irregularity.

### 3. What is Resolution?

- ⇒ As per the Companies Act 2013, for taking any decision or executing any transaction, the consent of the shareholders, the Board of Directors and other specified is required.
- ⇒ The decisions taken at a meeting are called resolutions.

### 4. Write short note on 'Proxy'?

- ⇒ Proxy means a person being the representative of a shareholder at the meeting of the company who may be described as his agent to carry out which the shareholder has himself decided upon.
- ⇒ Proxy can be present at the meeting and he cannot vote.

### 5. What is 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.



### III. Short Answer Questions

#### **1. What is Special Resolution?**

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

★ Special Resolution is required for the following matters:

- (i) To change the registered office of the company from one state to another
- (ii) To change the objectives of the company
- (iii) To change the name of the company
- (iv) To alter the Articles of Association
- (v) To commence any new business
- (vi) To appoint the auditor for the company

#### **2. What do you mean by Statutory Meeting?**

- (i) 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.
- (ii) This is the first general meeting of the public company is called the Statutory Meeting.
- (iii) This meeting is conducted only once in the lifetime of the company.
- (iv) A private company or a public company having no share capital need not conduct a statutory meeting.
- (v) 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.**

- (i) To change or rectify the name of the company
- (ii) To alter the share capital of the company
- (iii) To redeem the debentures
- (iv) To declare the dividends
- (v) To approve annual accounts and balance sheet

- (vi) To appoint the directors
- (vii) To increase or decrease the number of directors within the limits prescribed

#### 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:-

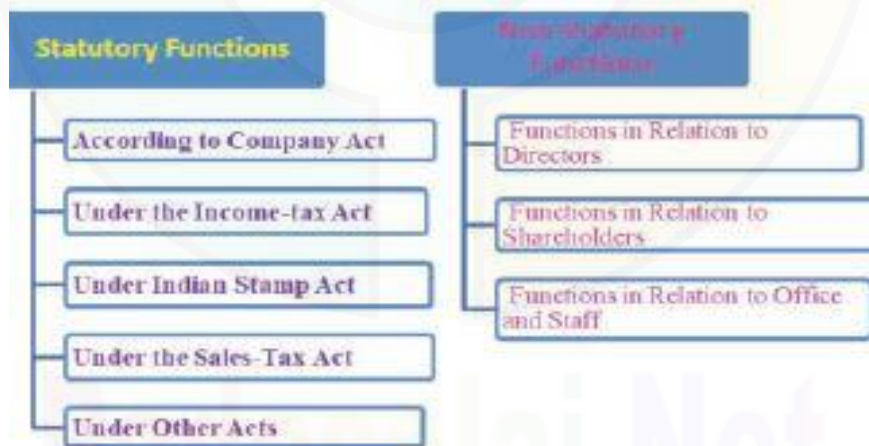
- (i) To appoint an auditor, a person other than a retiring auditor
- (ii) To provide expressly that a retiring Auditor shall not be reappointed
- (iii) To remove a director before the expiry of his period of office
- (iv) To appoint a director in the place of a director so removed

#### IV. Long Answer Questions

##### 1. Elaborate the functions of the Company Secretary.

I. Statutory Functions or Duties and

II. Non-statutory Functions or Duties



##### I. Statutory Functions

- ⇒ As the principal officer of the company, the secretary must observe all the legal formalities in respect of the provisions of the Companies Act and other laws.

- (i) To sign document and proceedings requiring authentication by the company
- (ii) To maintaining share registers and register of Directors and of contracts
- (iii) To give notice to register for increase in the share capital
- (iv) To deliver share certificate of allotment within 2 months after transfer

- (v) To sign and send annual return
- (vi) To make a statutory declaration for receiving certificate of commencement of business
- (vii) To send notice of general meeting to every member of the company
- (viii) To make statutory books
- (ix) To prepare minutes of every general meeting and board meeting within 30 days
- (x) To file a resolution with the registrar
- (xi) To assist in preparing the statement of affairs in a winding up

## II. Non-Statutory Functions

⇒ Secretary has to discharge non-statutory functions in relation to directors, shareholders and office and staff.

- (i) Functions as agent of directors
- (ii) Functions towards shareholders
- (iii) Functions towards office and staff

## **2. Briefly state different types of company meetings.**

★ Under the Companies Act, 2013, Company meetings can be classified as under:



### I. Meetings of Shareholders:

- (a) Statutory Meeting
- (b) Annual General Meetings (AGM)
- (c) Extraordinary General Meetings (EGM)

### II. Meetings of the Directors

- (a) Board meetings
- (b) Committees meetings

### III. Special Meetings

- (a) Class Meetings
- (b) Creditors and of Debenture/bond holders meetings

#### I. Shareholders Meetings

- ⇒ The meeting held with the shareholders of the company is called shareholders meeting.
- ⇒ The shareholders meeting can be classified as statutory meeting, annual general meeting and extra ordinary general meeting.

#### II. Meeting of the Directors

- ⇒ Since the administration of the company lies in the hands of the board of directors, they should meet frequently for the proper conduct of the business and to decide policy matters of the company.

#### III. Special Meeting

##### (a) Class Meeting

- ⇒ 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.
- ⇒ Meeting which are held by the creditors.

### **3. Explain different types of open and secret types of voting.**

- ★ There are two distinct procedures of voting viz., Open and Secret procedures.

#### I. Open Procedure

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

##### (a) By Voice:

- ⇒ Voice voting is a popular type of voting in which the chairman allows the members to raise their voice in favour or against an issue 'Yes' for approval and 'No' for rejection.
- ⇒ Chairman announces the result of voice voting on the basis of strength of words shouted.

⇒ It is an 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 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.

⇒ 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.

Thank You

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