UNIT- I	CHAPTER 01 **PRINCIPLES OF MANAGEMENT**

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. The practice of management helps to achieve the organizational mission and determines the future of the business enterprises.

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

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

3. **State the meaning of Authority.**

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

4. **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.**

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

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

2. **Differentiate management from Administration.**

Basis for comparison	*Management*	*Administration*
Authority	Middle and Lower Level	Top level
Role	Executive	Decisive
Key person	Manager	Administrator
Function	Executive and Governing	Legislative and Determinative

3. **What are the principles of Taylor?**

Principles of scientific management propounded by Taylor are

- Science, Not Rule of Thumb
- Harmony, Not Discord
- Mental Revolution

- Cooperation, Not Individualism
- Development of each and every person to his or her greatest efficiency and prosperity.

4. What determines the span of management?

Simply, the manager having the group of subordinates who report him directly is called as the span of management. The Span of Management has two implications:

- Influences the complexities of the individual manager‘s job
- Determine the shape or configuration of the Organization

There is a wide and a narrow span of management. With the wider span, there will be less hierarchical levels, and thus, the organizational structure would be flatter.

Whereas, with the narrow span, the hierarchical levels increases, hence the organizational structure would be tall.

IV. Long answer questions:

1. Explain the concept of management.

- Body of Knowledge:

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

- Management Tools:

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

- Separate Discipline:

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

- 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.

- 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.

- 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 principles of modern management.

1. **Division of Work:**

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

2. **Authority and Responsibility:**

This is the issue of commands followed by responsibility for their consequences. Authority means the right of a superior to give the order to his subordinates whereas responsibility means obligation for performance.

3. **Discipline:**

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

4. **Unity of Command:**

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

5. **Unity of Direction:**

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

6. **Remuneration:**

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

7. **The Degree of Centralization:**

The amount of power wielded with the central management depends on company size. Centralization implies the concentration of decision making authority at the top management.

UNIT-I

CHAPTER -02

FUNCTIONS OF MANAGEMENT

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

2. What is meant by Motivation?

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

3. List the subsidiary functions of management.

- Innovation
- Representation
- Decision-making
- Communication

4. 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?

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

2. State the importance of staffing.

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

3. How the employees are informed about importance matter in a company?

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

IV. Long Answer Questions:

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

- ***Main Functions***
- ***Subsidiary Functions***

I. **Main Functions:**

Planning:

Think Before you Act'or 'Look Before you Leap' are some of the usual traditional proverbs; which provide a basis or logic for planning. Planning is the primary function of management. Nothing can be performed without planning. (For eg., Writing a book starts with planning). In short, planning refers to deciding in advance.

Organising

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

Staffing

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

Directing

Directing denotes motivating, leading, guiding and communicating with subordinates on an ongoing basis in order to accomplish pre-set goals. Employees are kept informed of all necessary matters by circulars, instructions manuals, newsletters, notice-boards, meeting, participative mechanism etc., in order to enable the employees to accomplish the organizational goals.

Controlling

Controlling is performed to evaluate the performance of employees and deciding increments and promotion decisions. The control function helps in identifying under performers and arranging remedial training for them. It is the control function which facilitates synchronization of actual performance with predetermined standards.

Co-ordination

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

Motivating

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

II. Subsidiary Functions

Innovation.

Innovation refers to the preparation of personnel and organisation to face the changes made in the business world. Continuous changes are being made in the business. Consumers are satisfied through innovation. Innovation includes developing new material, new products, new techniques in production, new package, new design of a product and cost reduction.

Representation

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

Decision-making

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

Communication

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

UNIT- I	Chapter -03 MANAGEMENT BY OBJECTIVES (MBO) MANAGEMENT BY EXCEPTION (MBE)

II. Very Short Answer Questions:

1. 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.

iv. To foster the increasing competence and growth of the subordinates.

2. Bring out the meaning of MBE.

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

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

3. Mention any two advantages of MBO?

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

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

4. What is known as KRA?

Key result areas are fixed on the basis of organisational objectives premises. Key Result Areas (KRA) are arranged on a priority basis.

KRA indicates the strength of an organisation. The examples of KRA are profitability, market standing, innovation etc.

III. Short Answer Questions:

1. Write the features of MBO.

1. MBO tries to combine the long run goals of organisation with short run goals.

2. Management tries to relate the organisation goals with society goals.

3. MBO's emphasis is not only on goals but also on effective performance.

4. It increases the organisational capability of achieving goals at all levels.

5. A high degree of motivation and satisfaction is available to employees through MBO.

2. What are the Process of MBE?

Primarily, it is necessary to set objectives or norms with predictable or estimated results. These performances are assessed and get equated to the actual performance. Next, the deviation gets analysed. With an insignificant or no deviation, no action is required and senior managers can concentrate on other matters.

3. What is the process involved in MBO?

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

IV. Long Answer Questions:

1. What are the major advantages of MBO?

The advantages of MBO are explained below:

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

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

3. Manager recognises the need for planning and appreciates the planning.

4. MBO provides a foundation for participative management. Sub-ordinates are also involved in goal setting.

5. A department does not work at cross purpose with another department. In other words, each department's objectives are consistent with the objectives of the whole organisation.

6. Systematic evaluation of performance is made with the help of MBO.

7. MBO gives the criteria of performance. It helps to take corrective action.

8. Delegation of authority is easily done with the help of MBO.

9. MBO motivates the workers by job enrichment and makes the jobs meaningful.

10. The responsibility of a worker is fixed through MBO.

2. What are the advantages of MBE?

Management by exception provides the following benefits:

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

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

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

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

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

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

3. Discuss the disadvantages of MBE.

Disadvantages of MBE

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

ii. Furthermore, it takes time to pass the issues to managers. Managing employees who deviate from the normal procedures. Because of compliance failures are considered difficult to manage and typically find themselves with limited job duties and ultimately dismissed/terminated.

UNIT- II	CHAPTER -04 INTRODUCTION TO FINANCIAL MARKETS

II. Very Short Answer Questions:

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

The Indian financial system can be broadly classified into organized sector and unorganized sector. Organized sector consist of Regulators, Financial Institutions, Financial Markets and Financial Services.

2. **What is spot market?**

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

3. **What is debt market?**

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

4. **How is prize decided in a secondary market?**

PriceDetermination: 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

III. Short Answer Questions:

1. **Give the 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

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

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

3. **Bring out the scope of financial market in India**

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

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

III. :

1. Distinguish between new issue market and secondary market.

BASIS FOR COMPARISON	NEW ISSUE MARKET	SECONDARY MARKET
Meaning	The market place for new shares is called primary market. (Initial Issues Market)	The place where formerly issued securities are traded is known as Secondary Market. (Resale Market)
Buying	Direct	Indirect
Financing	It supplies funds to budding enterprises and also to existing companies for expansion and diversification	It does not provide funding to companies
How can securities be sold?	Only once	Multiple times
Buying and Selling between	Company and Investors	Investors
Gained person	Company	Investors
Intermediary	Underwriters	Brokers
Price	Fixed price	Fluctuates, depends on the demand and supply force
Organizational difference	Not rooted to any specific spot or geographical location	It has physical existence

2. Enumerate the different kinds of financial markets.

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

a. On the Basis of Type of Financial Claim

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

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

b. On the Basis of Maturity of Financial Claim

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

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

c. <u>On the Basis of Time of Issue of Financial Claim</u>

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

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

d. <u>On the Basis of Timing of Delivery of Financial Claim</u>

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

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

e. <u>On the Basis of the Organizational Structure of the Financial Market</u>

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

(ii) ***Over–the–Counter Market*** is a decentralized market (outside the stock exchange) with customized procedures. The above classification is not rigid. One market may come under more than one category.

3. Discuss the role of financial market.

(i) Savings Mobilization

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

(ii) Investment

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

(iii) National Growth

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

(iv) Entrepreneurship Growth

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

(v) Industrial Development

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

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. Capital market forms an important core of a country's financial system.

2. Write a note on OTCEI.

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

3. Who are the participants in a Capital Market?

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

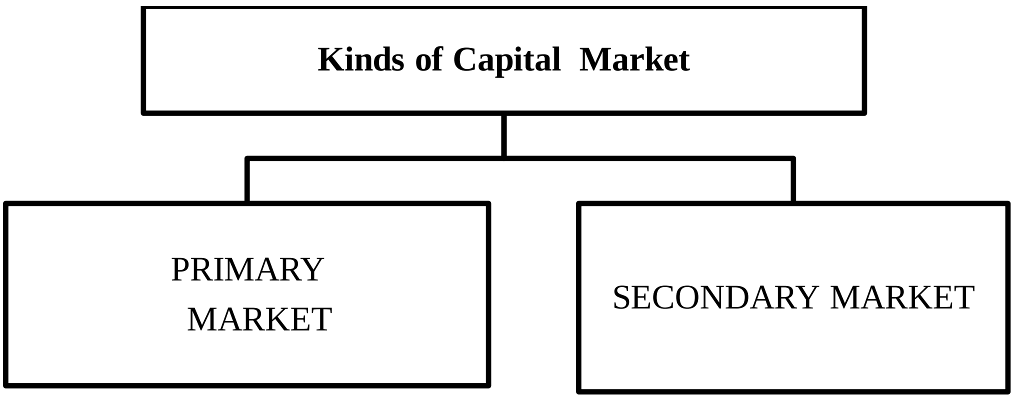
4. How is price determined in a Capital Market?

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 as shown in the following chart.



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

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

2. Explain any two functions of Capital Market.

Reliable Guide to Performance

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

Proper Channelization of Funds

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

Easy Liquidity

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

3. Explain about Factoring and Venture Capital Institutions.

Venture Fund Institutions

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

Factoring Institutions

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

IV. Long Answer Questions:

1. Discuss the characters of a Capital Market.

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

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

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

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

(v) Market for Financial Assets Capital market provides a transaction platform for long term financial assets.

2. Briefly explain the functions of Capital Market.

(i) Savings and Capital Formation

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

(ii) Permanent Capital

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

(iii) Industrial Growth

The stock exchange is a central market through which resources are transferred to the industrial sector of the economy. The existence of such an institution encourages people to invest in productive channels. Thus it stimulates industrial growth and economic development of the country by mobilizing funds for investment in the corporate securities.

(iv) Ready and Continuous Market

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

(v) Reliable Guide to Performance

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

(vi) Proper 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. This ensures effective utilisation of funds in the public interest.

(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.

(vii) Development of Backward Areas

Capital Markets provide funds for projects in backward areas. This facilitates economic development of backward areas. Long term funds are also provided for development projects in backward and rural areas.

(viii) Foreign Capital

Capital markets makes possible to generate foreign capital. Indian firms are able to generate capital funds from overseas markets by way of bonds and other securities. Government has liberalised Foreign Direct Investment (FDI) in the country. This not only brings in foreign capital but also foreign technology which is important for economic development of the country.

(ix) Easy Liquidity

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

3. Explain the various types of New Financial Institutions.

(i) Venture Fund Institutions

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

(ii) Mutual Funds

Financial institutions that provide facilities for channeling savings of small investors into avenues of productive investments are called 'Mutual Funds'. A mutual fund company invests the funds pooled from shareholders and gives them the benefit of diversified investment portfolio and a reasonable return Specialized financial institution like LIC, UTI, etc., beside commercial banks such as SBI, and Canara Bank are carrying out the business of mutual funds. The benefits of mutual fund are high return, easy liquidity, safety and tax benefits to the investors.

(iii) Factoring Institutions

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

Services Private Limited, a subsidiary of State Bank of India and Canbank Factors Limited, a subsidiary of Canara Bank.

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

(iv) 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. The institution is expected to allow for an efficient and transparent system of securities trading.

(v) 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

(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. (viii) Stock Holding Corporation of India Limited (SHCIL) Stock Holding Corporation of India Limited (SHCIL) aims at serving as a central securities depository in respect of transactions on stock exchanges. The Corporation also takes up the administration of clearing functions at a national level.

UNIT-II	CHAPTER -06 MONEY MARKET

II. Very Short Answer Questions:

1. 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.

2. What is Government Securities Market?

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

3. 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'.

4. What do you meant by Switching?

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

III. Short Answer Questions:

1. What are the features of Treasury Bills?

Treasury Bills incorporate the following general features.

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

2. Who are the participants of Money Market?

There are many participants operating in the Money Market. The participants deal with the money market instruments like Treasury Bills, Commercial Bills, Commercial Papers, etc.,

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

7. RBI and SBI

8. Commercial Banks

9. State Governments

10. Public

3. Explain the types of Treasury Bills?

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.

They are:

1) 91 days Treasury Bills

2) 182 days Treasury Bills and

3) 364 days Treasury Bills

4. What are the types of Commercial Bill?

a. Demand Bills

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

b. Clean bills and documentary Bills

Bills that are accompanied by documents of title to goods are called documentary bills. Clean bills are drawn without accompanying any document. E.g. Railway Receipt and Lorry Receipt

c. Inland bills and Foreign Bills

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

d. 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.

IV. Long Answer Questions:

1. Differentiate between the Money Market and Capital Market.

Features	Money Market	Capital Market
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.
Supply of	This market supplies funds for	This market supplies funds for financing

Funds	financing current business operations working capital requirements of industries and short period requirements of the government.	the fixed capital requirements of trade and commerce as well as the long-term requirements of the government.
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.,
Money Value	Each single money market instrument is of large amount. A treasury bill is of minimum for one lakh. Each certificate of deposits or commercial paper is for minimum of Rs 25 lakh.	Each single capital market instrument is of small amount. Each share value is Rs 10. Each debenture value is Rs 100.
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
Place of Transaction	Transactions mostly take place over the phone and there is no formal place	Transactions take place at a formal place. Eg. stock exchange.
Participants	Transactions have to be conducted without the help of brokers i.e., Bankers, RBI and Government	Transactions have to be conducted only through authorized dealers i.e., Brokers, Investors, Merchant Bankers, Underwriters and Commercial Banks.

2. Explain the characteristics of Money Market?

1. Short-term Funds

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

2. Maturity Period

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

3. Conversion of Cash

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

4. No Formal Place

Generally, transactions take place through phone, i.e., oral communication. Relevant documents and written communications can be exchanged subsequently. There is no formal place like stock exchange as in the case of a capital market.

5. Sub-markets

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

6. 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.

7. Highly Organized Banking System

The Commercial Banks are the nerve centre of the whole money market. They are the principal suppliers of short-term funds. The commercial banks serve as vital link between the Central Bank and the various segments of the money market.

3. What are the characteristics of Government Securities?

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

1. Agencies

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

2. RBI Special Role

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

3. Nature of Securities

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

4. Liquidity Profile

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

5. Tax Rebate

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

6. Market

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

7. Forms

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

8. Participants

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

9. Trading

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

UNIT-III	CHAPTER 07 STOCK EXCHANGE

II. Very Short Answer Questions:

1. **What is meant Stock Exchange?**

Stock Exchange (also called Stock Market or Share Market) is one of the important constituents of Capital market.

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

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

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

- The Bombay Stock Exchange
- The Ahmedabad Stock Exchange Association Ltd.
- Bangalore Stock Exchange Ltd.
- Bhubaneshwar Stock Exchange
- The Calcutta Stock Exchange Association Ltd.

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

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

4. **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.

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

- Bull
- Bear
- Lame Duck
- Stag

III. Short Answer Questions:

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

- Lack of uniformity and control of stock exchanges.
- Absence of restriction on the membership of stock exchanges.
- Failure to control unhealthy speculation.

- Allowing more than one charge in the place.
- Non-insistence of margin requirement in stock exchange or in the case of produce exchanges.
- No proper regulation of listing of securities on the stock exchange.

2. Explain Bull and Bear.

BULL

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

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

He is an optimistic speculator.

BEAR

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

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

3. Explain Stag and Lame Duck.

STAG

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

LAME DUCK

A bear finds it difficult to fulfill his commitment, he is said to be struggling like a lame duck. A bear speculator contracts to sell securities at a later date.

On the appointed time he is not able to get the securities as the holders are not willing to part with them. In such situations, he feels concerned.

Moreover, the buyer is not willing to carry over the transactions.

IV. Long Answer Questions:

1. Explain the functions of Stock Exchange.

*1. **Ready and Continuous Market***

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

*2. **Correct Evaluation of Securities***

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

3. ***Protection to Investors***

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

4. ***Proper Chanalisation of Capital***

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

5. ***Aid to Capital Formation***

The publicity which the stock exchange gives to various industrial securities and their prices and the facilities provided by it for their purchase and sale induce people to save and invest.

6. ***Facilities for Speculation***

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

7. ***Seasoning of Securities***

Speculators and underwriters hold for a temporary period, securities issued by new companies. They unlock them when the market is prepared to absorb the new issues.

2. ***Explain the features of Stock Exchange***

1. ***Market for Securities***

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

2. ***Deals in Second Hand Securities***

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

3. ***Regulates Trade in Securities***

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

4. ***Allows Dealings only in Listed Securities***

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

5. ***Transactions Effected only through Members***

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

6. ***Association of Persons***

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

7. ***Recognition from Central Government***

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

4.Distinguish between Stock Exchange and Commodity Exchange.

Feature	***Stock Exchange***	***Commodity Exchange***
Meaning	Stock Exchange (also called Stock Market or Share Market) is one important constituent of capital market. Stock Exchange is an organized market for the purchase and sale of industrial and financial security	A commodity exchange is an exchange where commodities are traded. Tradable commodities fall into the following categories.
Function	Providing easy marketability	Offering hedging or price insurance services and liquidity to securities
Object	Object is facilitating capital formation and making best use of capital resources	Object is facilitating goods flow through risk reduction
Participants	Investors and Speculators	Producers, dealers, traders and a body of speculators
Period of dealings	Cash, ready delivery and dealings for account for a fortnight	Instant cash dealings and a settlement period of 2 or 3 months for Future Market dealings
Articles Traded	Industrial securities such as stocks and bonds and government securities	Only durable, graded and goods having large volume of trade, price uncertainty and uncontrolled supply
Speculation	Speculation ensures saleability of securities affording a broad, ready, liquid and continuous market of securities	Speculation ensures assumption and absorption of price risk.

SECURITIES EXCHANGE BOARD OF INDIA (SEBI)

II. Very Short Answer Questions:

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

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

It was made as an autonomous body by The Government of India on 12 May 1992 and given statutory powers in 1992 with SEBI Act 1992 being passed by the Indian Parliament. SEBI has its headquarters at Mumbai

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

- Regulation of Stock Exchanges
- Protection to the Investors
- Checking the Insider Trading
- Control over Brokers

3. ***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.

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

Ration card, passport, voter ID card, driving license, bank passbook or bank statement, verified copies of electricity bills, residence telephone bills.

III. Short Answer Questions:

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

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

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

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

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

Proof of identity:

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

Proof of address:

Ration card, passport, voter ID card, driving license, bank passbook or bank statement, verified copies of electricity bills, residence telephone bills, leave and license agreement or agreement for sale, self-declaration by High Court or Supreme Court judges.

3. **Draw the organization structure of SEBI.**

IV. Long Answer Questions:

1. What are the functions of SEBI?

- Safeguarding the interests of investors by means of adequate education and guidance. SEBI makes rules and regulation that must be followed by the financial intermediaries like portfolio exchanges, underwriters and merchant bankers, etc. It takes care of the complaints received from investors .
- Regulating and controlling the business on stock markets. Registration of brokers and subbrokers is made mandatory and they have to abide by certain regulations and rules.
- Conduct inspection and inquiries of stock exchanges, intermediaries and self-regulating organizations and to take appropriate measures wherever required. This function is carried out for organized working of stock exchanges and intermediaries.
- Barring insider trading in securities.
- Prohibiting deceptive and unfair methods used by financial intermediaries operating in securities markets.
- Registering and controlling the functioning of stock brokers, sub-brokers, share transfer agents, bankers, trustees, registrars, merchant bankers, underwriters, portfolio managers, investment advisers and various other intermediaries who might be linked to securities markets in any manner.

- SEBI issues Guidelines and Instructions to businesses concerning capital issues. Separate guidelines are provided for initial public issue made by listed companies, etc.
- SEBI regulates mergers and acquisitions as a way to protect the interest of investors. For this, SEBI has released appropriate guidelines with the intention that such mergers and takeovers won‘t be at the expense of small investors.
- Registering and controlling the functioning of collective investment schemes such as mutual funds. SEBI has created regulations and guidelines that should be followed by mutual funds. The aim is to maintain effective supervision and avoid any unfair and anti-investor actions.
- Promoting self-regulatory organization of intermediaries. It has extensive legal powers. Having said that, self-regulation is preferable to external regulation.

2. Explain the powers of SEBI.

- ***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.

- ***Power to Impose Monetary Penalties***

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

- ***Power to Initiate Actions in Functions Assigned***

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

- ***Power to Regulate Insider Trading***

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

- ***Powers Under Securities Contracts Act***

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

UNIT -IV	CHAPTER 09 FUNDAMENTALS OF HRM

II. Very Short Answer Questions:

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

The branch of management that deals with managing human resource is known as Human Resource Management. In order to achieve the personal and organisational objectives human resources are to be trained up and managed

2. **State two features of HRM**.

- Universally relevant
- Goal oriented
- A systematic approach
- It is all pervasive

3. **Mention two characteristics of Human Resource**.

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

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

- Planning,
- Organising,
- Directing,
- 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".

In the words of E.F.L.Brech HRM as that part of management process which is primarily concerned with the human constituents of an organisation.

2. What are the characteristics of Human resources ?

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

3. What is the significance of Human resource?

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

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

IV. Long Answer Questions

1. Explain the characteristics of Human Resource

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

xi. Human resource can work as a team.

2. Describe the significance of Human Resource Management

i. To identify manpower needs :

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

ii. To incorporate change :

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

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

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

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

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

v. To update the skill and knowledge:

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

vi. To appraise the performance of employees:

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

vii. To improve competitive advantage:

Organisations with capable and competent employees can truly gain competitive advantage in the globalised market. Higher the level of good performers greater the possibility of fast paced growth of the enterprise.

3. 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.

UNIT -IV	CHAPTER 10 RECRUITMENT METHODS

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 It acts as a link between job provider and job seeker.

It encourages the prospective employees to apply for the job. Then the organisation scrutinises the applications received and the suitable candidates are shortlisted for selection.

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.

- **Internal Sources** – Transfer, Upgrading, Promotion, Demotion, Recommendation by existing Employees, Job rotation, Retired employees, Dependants, Previous applicants, Acquisitions and Mergers
- **External Sources**
- **Direct** – Advertisements, Unsolicited applicants, Walk ins, Campus Recruitment, Recruitment at Factory gate, Rival firms, e Recruitment
- **Indirect** – Employee referral, Government/ Public Employment Exchanges, Employment Agencies, Employment Consultancies, Professional Associations, Deputation, Word of mouth, Labour Contractors, Job Portals, Outsourcing, Poaching**.**

4. 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. 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.

2. What is meant by job portals?

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

3. State the steps in Recruitment process outsourcing

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

IV. Long Answer Questions:

1. Explain the Internal sources of Recruitment

i. Transfer

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

ii. Upgrading

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

iii. Promotion

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

iv. Demotion

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

v. **Recommendation by existing Employees**

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

vi. **Job rotation –**

One single employee managing to learn how to perform in more than one job on rotation. This familiarises the employees with all kind of jobs performed and becomes a source.

vii. Retention

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

viii. Retired employees –

The employees who have already retired can be called to fill the vacancy as they have the required qualification and experience

2. Explain the External sources of Recruitment

A. Direct

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

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

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

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

B. Indirect

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

ii. Government/Public Employment Exchanges – These are exchanges established by Government which facilitates recruitment throughout the country. It makes available the information required through the data base for the employer as well as the job seeker by bridging the gap between them.

iii. Private Employment Agencies – These are similar to Public employment exchanges except that the ownership is the hands of Private parties. It connects the job provider and the job seeker by providing the relevant and required information.

iv. Employment Consultancies – These types of fisrms facilitate recruitment on behalf of client companies at cost. Usually they provide data relating to executives and top level personnel for which service they charge consultation fees also known as Recruitment Process Outsourcing.

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.

Recruitment Process Outsourcing

- Requirement understanding
- Advertise & source
- Screening
- Validation
- Profile submission

- Interview process & feedback
- Selection &follow-up

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

UNIT -IV	CHAPTER 11 EMPLOYEE SELECTION PROCESS

II. Very Short Answer Questions:

1. **What is selection?**

Employee selection can range from a very simple process to a very complicated process. There is no standard universally accepted selection process adopted by all organizations. The selection process may be adopted depending upon the nature of jobs and organizations.

2. **What is an interview?**

Selection process is interview. The term ‘interview’ has been derived from French word enter voir that means to glimpse or to see each other. In other words interview represents a face to face interaction between the interviewer and interviewee.

3. **What is intelligence test?**

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

4. **What do you mean by placement**?

The term ‘placement’ includes initial assignment of new employees and promotion, transfer or demotion of present employees.

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

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

III. Short Answer Questions:

1. **What is stress interview?**

This type of interview is conducted to test the temperament and emotional balance of the candidate interviewed. Interviewer deliberately creates stressful situation by directing the candidate to do irrational and irritating activities.

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

2. **What is structured interview?**

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

3. Name the types of selection test?

4. What do you mean by achievement test?

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

IV. Long answer questions:

1. Briefly explain the various types of tests.

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

Ability test

- **Aptitude test**
- **Achivenment test**
- **Intelligence test**
- **Judgnemnt test**

Personality test

- **Interest test**
- **Personality test**
- **Projective test**
- **Attitude test**

Ability Test

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

Aptitude test

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

- 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

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.

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.

Judgment Test

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

<u>Personality test</u>

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

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

Personality Inventory

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

2. Explain the important methods of interview.

1. Interview helps in selecting the candidate most suitable for the job.
2. It provides the candidate information about the organisation and the job for which he applied.
3. Interview helps in knowing details about candidate's personality.
4. It is a method of direct contact between the employer and the candidate. Employer can observe physical characteristics of the candidates. It helps managers to check authenticity of details in the application form.

5. It helps interviewer and the interviewee know each other in detail. Complete information about the company can be given to the candidate and negotiations on salary and other terms can be made.

3. Differentiate Recruitment and Selection

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

UNIT -IV	CHAPTER 12 EMPLOYEE TRAINING METHOD

II. Very Short Answer Questions:

1. What is meant by training?

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

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. Besides the mentor is responsible for the providing necessary support to trainees, and feedback on the performance of trainee

3. What is Role play?

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

4. State e-learning method?

E learning is the use of technological process to access of a traditional classroom or office. E learning is also often referred to us online learning or web based training. E learning training courses can save lakhs and lakhs of rupees to an organizations as they no longer have to pay for over time or costly seminar to improve employees skills.

III. Short Answer Questions:

1. What is vestibule training?

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

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

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

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.**

1. Whom to Train? Training department has to determine the candidates for whom the training should be imparted.

2. Who is the Trainee? A person who is learning and practising the skills of particular job is called trainee.

3. Who are Trainers? Trainer is a person who teaches skills to employee and prepare them for a job activity.

4. What Method will be used for Training? Training segment should decide the appropriate method of training among the various methods of training available.

5. What should be Level the Training? Training department should decide the level of training to be imparted to the employees

6. 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.

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.

Trainers

Trainer is a person who teaches skills to employee and prepare them for a job activity. Trainers may be supervisor, coworkers, HR staffs, specialists in the other parts of the company, outside consultants.

IV. Long Answer Questions:

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

On the Job Training

On the job training refers to the training which is given to the employee at the work place by his immediate supervisor. In an other words the employee learns the job in the actual work environment. It is based on the principle of "Learning by Doing and Learning While Earning". On the job training is suitable for imparting skills that can be learnt in a relatively short period of time. The following are the on the job training methods

- ***Coaching Method*** In the coaching method of training, the superior teaches or guides the new employee about the knowledge and skills relevant to a given job. In this method superior plays the role of coach or guide and an instructor.
- ***Mentoring 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.
- ***Job Rotation Method*** Job rotation is an important method for broadening the knowledge of executives. Under this method a trainee is periodically shifted from one work to another work and from one department / division to another department / division for a particular period of time. The main aim of job rotation is to expose the employee to various inter related jobs.
- ***Job Instruction Techniques (JIT) Method:***

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

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

Basis for comparison	On the Job Training	Off the Job Training
Meaning	The employee learns the job in the actual work environment.	Off the Job training involves the training of employees out side the actual work location
Cost	It is cheapest to carry out	It requires expenses like separate training rooms, specialist, resources like projectors
Location	At the work place	Away from the work place
Suitable for	Generally imparted in case of Manufacturing for production related Jobs	Mostly imparted for managerial and non production related jobs
Approach	Practical approach	Theoretical approach
Principle	Learning by performing	Learning by acquiring knowledge

3. Explain the benefits of training.

(i) ***<u>Benefits to the Organization</u>***

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

ii) It reduces wastages of materials and idle time

iii) It exposes employees to latest trends.

iv) It minimizes the time for supervision.

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

vi) It reduces labour turnover of employee

vii) It improves union and management relation

<u>(ii) Benefits to the Employees</u>

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

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

iii) It improves the employees productivity

iv) It enhances the morale of the employee.

v) Employees get higher earnings through incentives and rewards.

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

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

<u>(iii)Benefits of Customer</u>

i) Customers get better quality of product/ service.

ii) Customers get innovative products or value added or feature rich products

II. Very Short Answer Questions:

The meeting place of buyers and sellers in an area is called Market

2. Define Marketer.

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

3. What is mean by Regulated Market?

These are types of markets which are organised, controlled and regulated by statutory measures. Example: Stock Exchanges of Mumbai, Chennai, Kolkata etc.

4. What is meant by Spot Market?

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

5. What is meant by Commodity Market?

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

- Produce Exchange Market
- Manufactured Goods Market
- Bullion Market

II. Short Answer Questions:

1. What can be marketed in the Market?

Marketing is a comprehensive concept which starts from the point of creation, promotion and ultimately delivering the goods and services to consumers and businesses. The dynamic items that can be marketed Goods, Services, Experiences, Events, Persons, Places, Properties, Organisations.

2. Mention any three Role of Marketer?

- **Instigator**

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

- **Innovator**

Marketer seeks to distinguish his products/ services by adding additional features or functionalities to the existing product, modifying the pricing structure, introducing new delivery pattern, creating new business models, introducing change in production process and so on

- **Integrator**

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

- **Implementer**

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

3. 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. There is no change in the supply of goods. Price is determined on the basis of demand.

ii. Short Period Market:

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

III. Long Answer Questions

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

On the basis of different approaches markets have been classified

- On the Basis of Geographical Area
- On the Basis of Commodities/Goods
- On the Basis of Economics
- On the Basis of Transaction
- On the Basis of Regulation
- On the Basis of Time
- On the Basis of Volume of Business
- On the Basis of Importance

On the Basis of Geographical Area

a. Family Market: When exchange of goods or services are confined within a family or close members of the family, such a market can be called as family market.

b. Local Market: Participation of both the buyers and sellers belonging to a local area or areas, may be a town or village, is called as local market. The demands are limited in this type of market.

On the Basis of Commodities/Goods

i. Produce Exchange Market: It is an organised market where commodities or agricultural produce are bought and sold on wholesale basis. Generally it deals with a single commodity. It is regulated and controlled by certain rules.

ii. Manufactured Goods Market: This market deals with manufactured goods

iii. Bullion Market: This type of market deals with the purchase or sale of gold and silver.

On the Basis of Transaction

i. ***Spot Market***: In such markets, goods are exchanged and the physical delivery of goods takes place immediately.

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

On the Basis of Regulation

i. ***Regulated Market:*** These are types of markets which are organised, controlled and regulated by statutory measures.

ii. ***Unregulated Market:*** A market which is not regulated by statutory measures is called unregulated market. This is a free market, where there is no control with regard to price, quality, commission etc. Demand and supply determine the price of goods.

On the Basis of Time

i. ***Very Short Period Market***: Markets which deal in perishable goods like, fruits, milk, vegetables etc., are called as very short period market. There is no change in the supply of goods. Price is determined on the basis of demand.

ii. ***Short Period Market:*** i. In certain goods, supply is adjusted to meet the demand. The demand is greater than supply. Such markets are known as Short Period Market.

iii. ***Long Period Market:*** This type of market deals in durable goods, where the goods and services are dealt for longer period usages

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

On the Basis of Economics

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

- Large number of buyers and sellers are there.
- Prices should be uniform throughout the market.
- Buyers and sellers have a perfect knowledge of market.
- Goods can be moved from one place to another without restrictions.
- The goods are identical or homogenous. It should be remembered that such types of markets are rarely found.

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

- Products are similar but not identical.
- Prices are not uniform.
- There is lack of communication.
- There are restrictions on the movement of goods

CHAPTER 14

MARKETING AND MARKETING MIX

II. Very Short Answer Questions:

1. What is Marketing?

Marketing is the performance of buying activities that facilitate to more flow of goods and services from producer to ultimate user. Selling is basically concerned with putting the goods into the hands of the buyers for a price, but marketing is much wider than selling.

2. ***Define Marketing Mix.***

"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.

III. Short Answer Questions:

1. What are the objectives of marketing?

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

2. What are the concept of marketing?

THE CONCEPT OF MARKETING:

What I can sell?

Make what you can sell, but do not try to sell what you can make.

Shall I first create products?

No, first create a customer, then create products

Shall I love my products?

No, love your customers and not the products.

Who is supreme in markets?

Customer is supreme or king.

Who will shape my decisions?

Customer's preferences shape your decisions

3. What do you mean by marketing mix? Write any two elements.

Marketing mix refers to two things.

i. A list of important elements or ingredients that make up the marketing programme and

ii. The list of forces having bearing on marketing operations.

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

Elements of of marketing mix

i. Product

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

ii. Price

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

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. They cared very little about the customers.

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

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

v. Consumer Orientation: Under this stage only such products are brought forward to the markets which are capable of satisfying the tastes, preferences and expectations of the 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. **Narrate the Elements of Marketing mix**.

- ***Product***

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

- ***Price***

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

Factors affecting Price of product / service

a. Internal Factors:

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

b. External Factors:

1. The market and demand 2. Competition 3.Customers 4.Suppliers 5.Legal factors 6. Regulatory factors

- ***Place (Physical Distribution)***

An excellent quality product, with a competitive price structure, backed up by efficient promotional activities, will be a waste if it is not moved from the place of production to the place of consumption at an appropriate time. The fourth element of product mix, namely place or physical distribution facilitates the movement of products from the place of manufacture to the place of consumption at the right time.

- ***Promotion***

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

UNIT - V	CHAPTER 15 RECENT TRENDS IN MARKETING

II. Very Short Answer Questions:

1. What is green marketing?

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

2. What is service marketing?

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

3. 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.

4. What Is Ambush Marketing

Ambush marketing technique is a new technique whereby a particular advertiser seeks to connect his product to the event in the mind of potential customer without paying sponsoring expenses to the event. In other words it is a method of building brands in covert ways.

III. Short Answer Questions:

1. What are the advantages of E-Marketing?

- 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.
- Direct contact of end consumer by the manufacturers cuts down the substantially intermediation cost. Thus products bought through e-marketing become cheaper.
- Customer can buy whatever they want/ need just by browsing the various sites.

2. Discuss the objectives E-Marketing.

1. Expansion of market share

2. Reduction of distribution and promotional expenses.

3. Achieving higher brand awareness.

4. Strengthening database.

3. Explain in detail about Niche marketing.

Niche marketing denotes a strategy of directing all marketing efforts towards one well defined segment of the population.

Actually there is no market in niche market. It is found by company, by identifying the need of customers which are not served or under served by the competitors.

The company which identified niche market develops solution to satisfy the needs of niche market.

A niche market does not mean a small market, but it involves specific target audience with a specialized offering.

It aimed at being a big fish in a small pond instead of being a small fish in a big pond.

IV. Long Answer Questions:

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

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

2. Disscuss any two new methods of marketing.

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. Just as a physical store displays its products in windows and attracts the customer towards it, the shopping website displays the images of the products and highlights features and benefits along with attractive offers and lures the customer to buy the product

Green Marketing

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

Social Marketing

Social marketing is a new marketing tool. It is the systematic application of marketing philosophy and techniques to achieve specific behavioural goals which ensure social good. For example, this may include asking people not to smoke in public areas, asking them to wear seat belts or persuading them to follow speed limits. The primary aim of social marketing is 'social good' such as anti-tobacco, anti-drug, antipollution, anti-dowry, road safety, protection of girl child, against the use of plastic bags.

UNIT - VI	CHAPTER 16 CONSUMERISM

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. Give two examples of adulteration.

- Mixing of stones with grains
- Mixing of coconut oil with palmolein
- Honey is adulterated with water and table sugar to enhance the quantity

3. What is Caveat Emptor?

'Caveat emptor' is a Latin term that means "let the buyer beware." Similar to the phrase "sold as is," this term means that the buyer assumes the risk that a product fails to meet expectations or have defects.

4. What is Caveat Venditor?

Caveat emptor was the rule for most purchases and land sales prior to the Industrial Revolution, although sellers assume much more responsibility for the integrity of their goods in the present day

5. Write a short notes on Consumer Protection Act, 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 Consumer Protection Act 1986 seeks to protect and promote the interests of consumers. The act provides safeguards to consumers against defective goods, deficient services, unfair trade practices, and other forms of their exploitation.

III. Short Answer Questions

1. What are the important legislations related to consumerism in India?

- ***The Indian Contract Act, 1872*** was passed to bind the people on the promise made in the contract.
- ***The Sale of Goods Act, 1930***: This Act protects consumers against sellers not complying with expressed and implied warranties in the sale contract.
- ***The Trademark Act, 1999*** prevents the use of fraudulent marks on the product.
- ***The Competition Act, 2002*** protects the consumers against unhealthy competition

2. What is meant by artificial scarcity?

There are certain situations where the shop-keepers put up the board 'No Stock" in front of their shops, even though there is plenty of stock in the store. In such situations consumers who are desperate to buy such goods have to pay hefty price to buy those goods and thus earning more profit unconscientiously.

3. Write the importance of consumerism.

- Awakening and uniting consumers.
- Discouraging unfair trade practices.
- Protecting against exploitation. 4. Awakening the government.
- Effective implementation of consumer protection laws.
- Providing complete and latest information.
- Discouraging anti-social activities

IV. Long Answer Questions:

1. How consumers are exploited?

- ***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. Even though sellers have surplus or adequate goods they create artificial scarcity in the market with an intent to push up the prices. As a result, consumers are forced to buy the short supply of goods at higher prices in the black market.

- ***Adulteration***

It refers to mixing or substituting undesirable material in food. This causes heavy loss to the consumers. This will lead to monitory loss and spoil the health. But adulterators make illegitimate profit while prudent businessmen aim at normal profit whenever unscrupulous traders seek to reap higher profit out of greed, they seek to adulterate the products. Adulteration is quite common in food articles. It is a crime which cannot be pardoned as it spoils the very health of consumers.

- ***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.

- ***Artificial Scarcity***

There are certain situations where the shop-keepers put up the board 'No Stock" in front of their shops, even though there is plenty of stock in the store. In such situations consumers who are desperate to buy such goods have to pay hefty price to buy those goods and thus earning more profit unconscientiously.

- ***Sub-standard***

On opening a packet or sealed container one may find the content to be of poor quality. If defective or damaged items are found in a pack, a consumer finds it difficult to exchange the defective one for good one and consumers have to blame for lack of attention one cannot return it and the consumers have tendency to blame their carelessness or fate for having bought such sub-standard product.

- ***Product Risk***

Whenever the usage of goods is likely to cause danger or hurts to customers, manufactures have to forewarn the consumers of various sources of dangers involved in the products and the precautionary measures to be taken by the consumers. In absence of such information or warnings consumers are more likely to encounter risks while using the risky products.

- ***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. Customer care service is likely to be rendered the shorter warranty period only for select few items which the manufacturers know pretty well that they do not get damaged during such period

- ***Unsuitability of Products***

The product quality, durability and suitability may come under the category of product fitness. What is claimed by the product advertiser must correspond to the products sold. But in actual practice, it is not so. Items unsuitable for human consumption are sold in the market. Some items marked as “unbreakable’’ break while using them. Battery having a label ‘leak proof ’’ is more likely to leak..

- ***False Advertisements***

The main purpose of advertisement is to educate the consuming public and customers of various aspects of the products/service. In reality, advertisements convey very little information about the product. Many times it makes false representation about the quality, price, grade, composition, utility guaranteed, performance etc.

2. Explain the role of business in consumer protection.

1. ***Avoidance of Price Hike***: Business enterprises should desist from hiking the price in the context of acute shortage of goods /articles.

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

3. ***Guarantees for Good Quality:*** Business enterprises should not give false warranty for the products. It should ensure supply of good quality.

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

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

6. ***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.

7. ***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 objectives of Consumer Protection Act, 1986?

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

II. *Very Short Answer Questions:*

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

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

2. ***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."

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

The main objective of any business is to earn a profit. That is supreme objectives of business.

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".***

There may be few products that are more likely to cause physical danger to consumers' health, lives and property. They may contain potentially harmful substances which are dangerous from the consumer welfare point of view.

The best examples of this kind are Food additives, colours, emulsifiers, preservatives. The health hazards which are likely to arise have to be eradicated or reduced altogether. In case of food items and drugs both life saving and life sustaining safety is to be guaranteed.

IV. Long Answer Questions:

1. Explain the duties of consumers.

Apart from rights, there are certain duties imposed on the consumer. Consumer should be conscious of his duties. He should make purchases judiciously and should not misuse his rights. Following are source of the duties of consumers:

- ***Buying Quality Products at Reasonable Price***: It is the responsibility of a consumer to purchase a product after gaining a thorough knowledge of its price, quality and other terms and conditions. The consumer should enquire about the price from certain shops and if possible from government stores to get an idea of its price.
- ***Ensure the Weights and Measurement before Making Purchases:*** The sellers often cheat consumer by using unfair weights and measures. The consumer should ensure that he/she is getting the product of exact weight and measure. Consumer should check the weights and balance of the product.
- ***Reading the Label Carefully*** : It is the duty of the consumer to thoroughly read the label of the product. It should have correct, complete and true information about the product.
- ***Beware of False and Attractive Advertisements***: Often the products are not as attractive as shown in the advertisement by the sellers. Hence, it is the prime duty of consumer not to get misled by such fraudulent advertisements.
- ***Misleading Schemes:*** Mostly advertisements are used to be very attractive and appealing to the senses. They may be occasionally false and misleading. The consumer is supposed to be careful with the attractive advertisements and avoid such misleading and false advertisements. These days almost every product in the market is offered for sale with a gift, discount, or a free product to bait the consumer to buy.
- ***Buying from Reputed Shops:*** It is advisable for the consumer to make purchase from the reputed shops or government shops like super bazaar, cooperative stores, and the like. The consumer by purchasing from such shops can escape from the malpractice of the manufacturers and shopkeepers or vendors.
- ***Buying Standardized Products***: Often the consumer buys cheap products which are not durable or are not safe. Therefore, it is the duty of the consumer to buy products with standardization marks which is supposed to be safe in every respect.

2. What are the responsibilities of consumers?

- The consumer must pay the price of the goods according to the terms and conditions of the sales contract.
- 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.
- 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.

- The consumer is bound to pay any interest and special damages caused to the seller in case if there is delay in the payment.
- The consumer has to assiduously follow and keenly observe the instructions and precautions while using the products.
- The consumer has the responsibility to express unambiguously to the seller of his requirements and expectations from the product.
- The consumer must seek to collect complete information about the quality, quantity, price etc of the product before purchasing it.
- The consumer must get cash receipt as a proof of goods purchased from the seller. If it carries any warranty, the buyer must obtain the warranty card mentioning the date of purchase and period of warranty. It must also bear the signature and stamp of the seller organisation.
- The consumer must file a complaint with the seller concerned about defects or shortcomings noticed in their products and services.

UNIT -VI	CHAPTER 18 GRIEVANCE REDRESSAL MECHANISM

II. Very Short Answer Questions:

1. What do you meant by Redressal Mechanism?

Consumers are the vital part of the business. They decide the success or otherwise of the business. However they are exploited by the sellers in many ways because, they are not aware of the products and services available. Government has also taken necessary steps to save the Consumers.

2. What do you know about National Commission?

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

3. State the meaning of the term State Commission.

The state consumer protection council is also known as “Consumer Disputes Redressal Commission”.

A consumer has to be protected against defects, deficiencies and unfair and restrictive trade practices. The State Consumer Protection Council is also called State Commission.

4. What is an term District Forum?

As per the Consumer Protection Act of 1986 and Section 9 thereof the establishment of a District Forum by the State Government in each district is necessary today to protect the interest of aggrieved consumers in that district.

III. Short Answer Questions:

1.Who are the members of the National Commission?

- The National Commission should have five members.
- One should be from judiciary.
- Four other members of ability, knowledge and experience from any other fields.
- It should include a woman.

2. Who are the members of the State Commission?

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

3. Write a note on the Voluntary Consumer Organisation.

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

Objectives

- 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.
- A wide network of Voluntary ConsumerOrganisation (VCO) is doing commendable work to raise awareness amongst consumers.

IV. Long Answer Questions:

1. Explain the overall performance of National Commission.

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. Its head office is in New Delhi. The Commission is headed by a serving or retired judge of the Supreme Court of India. The National Consumer Disputes Redressal Commission (NCDRC) is also called as National Commission.

Members

The National Consumer Disputes Redressal Commission has been constituted by a Notification.

- The National Commission should have five members.
- One should be from judiciary.
- Four other members of ability, knowledge and experience from any other fields.
- It should include a woman.

Jurisdiction

Section 21 of The Consumer Protection Act, 1986 describes, the National Commission shall have jurisdiction

- To entertain a complaint valued more than 1 Crore.
- Revised the orders of State Commissions.
- To call for the records and pass appropriate orders from the State Commission and District Forum.

Powers

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

2. Explain the overall performance of 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.

Members

Each State Commission shall consist of the following members.

- A person who is or has been a Judge of a High Court appointed by the State Government as its President.
- Two other members who shall be persons of ability, integrity and standing and have adequate knowledge or experience of or haveshown 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.

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

Powers

The following are the powers of the State Commission.

- 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.
- To produce before and allow to be examined by an officer of any of these agencies, such books of accounts, documents or commodities as may be required and to keep such books, documents, etc., under his custody for the purposes of the Act.
- To furnish such information that may be required for the purposes of the Act to any officer so specified

UNIT- VII	CHAPTER -19 ENVIRONMENTAL FACTORS

I. Very Short Answer Questions:

1. **What is internal environment?**

Internal environment refers to those factors within an organisation e.g Policies and programmes, organisational structure, employees, financial and physical resources. These factors can be changed or altered and hence are known as controllable factors.

2. **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.

3. **What is GST?**

GST is the indirect tax levied on goods and services across the country. It is a comprehensive, multi-stage, destinationbased tax that is levied on every value addition.

4. **Expand VUCA**

   V-Volatility

   U- Uncertainty,

   C-Complexity

   A -Ambiguity

III. Short Answer Questions:

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

The framework for running a business is given by the political and legal environment. The success of a business lies in its ability to adapt and sustain to political and legal changes.

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.

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

Human resources : The success of an enterprise is solely dependent on its manpower. Therefore the quality, skill competency, right attitude and commitment of its human resources is essential for the success of an organisation.

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.

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

3. What do you know about Technological environment?

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

1) The level of technology available within the country

2) Rate of change in technology

3) Technology adopted by competitors

4) Technological obsolescence

IV. Long Answer Questions:

1. Discuss the role of macro environment of business.

Economic environment **-** The business is an integral part of the economic system prevalent in a nation. The multiple variables in the macro environment system which has a bearing on a business include

The nature of economy based on the stage of development:

The nature of economic system

The economic policies of a nation

Economic indices

Development of financial market

Economic structure

Socio-Cultural environment **-** Business is a part of the society .Social environment refers to the sum total of factors of the society in which the business is located. Social and cultural environment of society affects the business. 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. The literacy level, and the social attitudes of the people of the society.

1) The social institutions and groups

2) Family structure prevalent in the society

3) Role of marriage as an institution

4) Caste system in the society

5) Customs, beliefs and values

6) Demographic factors which includes the size, composition, literacy level, distribution and mobility of the population

7) The lifestyle of people and their tastes, likes and preferences.

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. The legislative, executive and judiciary are the three political institutions which directs and influences a business. The major elements of the legal and political environment are

Geo-physical environment – The natural, geographical and ecological factors have a bearing on the business. These are as follows;

1) The availability of natural resources like minerals oil .etc, since setting up of industries requires availability of raw materials

2) The weather and climatic conditions and availability of water and other natural resources is essential for the agricultural sector .

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

Global environmentWith the rapid growth of technology the physical boundaries are fast disappearing and the new global market is emerging. The international environmental factors which affects a business are as follows;

1) Differences in language and culture

2) Differences in currencies

3) Differences in norms and practices

4) Differences in tastes and preferences of people

2. Explain the micro environmental factors of business

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. Organisations generally obtain supplies from a panel of suppliers instead of relying on a single source. Organisations have realised the importance of nurturing and maintaining good relationship with the suppliers.

iii) Marketing Channel members

The marketing inter-mediaries serve as a connecting link between the business and its customers .The middlemen like dealers, wholesalers and retailers ensure transfer of product to customers .physical distribution is facilitated by transporters, and warehouses help in storing goods. Market research agencies help the firm to understand the needs of the customers while advertising agencies help in promoting the products and services. 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. The public group has the ability to make or mar a 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. Hence it is essential for any business to understand the needs of its varied customers like individuals, retailers, wholesalers, industries and government sector. Customer relationship management aims at creating and sustaining cordial relations with customers.

vi) Competitors:

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

UNIT -VII	CHAPTER 20 LIBERALIZATION, PRIVATIZATION AND GLOBALIZATION

II. Very Short Answer Questions:

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

- Liberalisation,
- Privatisation and
- 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. Simply speaking, privatisation means permitting the private sector to set up industries which were previously reserved for the public sector

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

- Increase in foreign investment:
- Increase the foreign exchange reserve
- Increase in consumption
- Control over price

4. **Give any two advantages of Globalisation**

- Increase in foreign collaboration
- Expansion of market
- Technological development
- Reduction in brain drain

III. Short Answer Questions:

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

Liberalization refers to laws or rules being liberalized, or relaxed, by a government. Liberalization means relaxation of various government restrictions in the areas of social and economic policies in order to make economies free to enter in the market and establish their venture in the country.

Liberalizing trade policy by the government includes removal of tariff, subsidies and other restrictions on the flow of goods and services between countries. Liberalization is the result of New Industrial Policy which abolished the "License system" or “Licence Raj”.

2. State any three impacts on Globalisation.

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

3. Write a short note on New Economic Policy.

Liberalization

Liberalization refers to laws or rules being liberalized, or relaxed, by a government. Liberalization means relaxation of various government restrictions in the areas of social and economic policies in order to make economies free to enter in the market and establish their venture in the country.

Privatization

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

Globalization

Globalization results from the removal of barriers between national economies to encourage the flow of goods, services, capital, and labour. While the lowering or removal of tariffs and quotas that restrict free and open trade among nations has helped globalize the world economy.

IV. Long Answer Questions:

1. Explain the advantages and disadvantages of liberalisation.

Advantages

(a) 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.

(b) Increase the foreign exchange reserve:

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

(c) Increase in consumption:

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

(d) **Control over price**:

The removal of tariff barriers can lead to lower prices for consumers. This would be particularly a benefit for countries who are importers.

(e) Reduction in external borrowings:

Liberalization reduces the dependence on external commercial borrowings by attracting more foreign investments.

Disadvantages

(a) Increase in unemployment:

Trade liberalisation often leads to a shift in the balance of an economy. Some industries grow, some decline. Therefore, there may often be structural unemployment from certain industries closing.

(b) Loss to domestic units:

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

(c) Increased dependence on foreign nations:

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

(d) Unbalanced development:

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

2. Explain the impact of LPG on Indian Economy

Impact of Liberalization

- New market for various goods came into existence and resulted not only in urban but also in rural development.
- It became very easy to obtain loans from banks for business expansion.
- Foreign Collaboration" is the latest outcome of liberalization.

Impact of Privatization

- Privatization has a positive impact on the financial growth by decreasing the deficits and debts.
- Increase in the efficiency of government undertakings.
- Provide better goods and services to the consumers.

Impact of Globalization

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

UNIT- VIII	CHAPTER 21 THE SALE OF GOODS ACT, 1930

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 thebuyer for a price.

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

- Two Parties
- Transfer of Property
- Goods
- Price
- Includes both 'Sale' and 'Agreement to Sell'.

3. What is meant by goods?

The term goods mean every kind of movable property other than actionable claim and money. The term actionable claim means debt secured by a mortgage of immovable property, Fixed Deposit Receipt, Dividend Due on Shares, Amount due under LIC policy, Claim for rent which falls due in future etc.

4. What is a Contingent Goods?

Contingent goods are the goods, the acquisition of which by the seller depends upon a contingency (an event which may or may not happen). Contingent goods are a part of future goods.

III. Short Answer Questions:

1. 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

- Specific Goods
- Ascertained Goods
- Generic or Unascertained Goods

2. Discuss the implied conditions and warranties in sale of goods contract.

Condition:

A condition is a stipulation which is essential to the main purpose of the contract. It is core to the contract. The non-fulfilment of the condition cancels the very contract. In other words, if a condition is broken, it leads to cancellation of contract.

Warranty:

Warranty represents a stipulation which is collateral to the main purpose of the contract. It is of secondary importance to the contract. The violation of warrant entitles the affected party to claim damages or compensation from the other party. But he cannot cancel the contract altogether.

IV. Long Answer Questions:

1. Explain in detail the elements of Contract of sale.

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.

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.

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.

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.

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

4. **Distinguish between Conditions and Warranty**

Basic of Difference	Condition	Warranty.
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.
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.
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.
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
Treatment	Breach of condition may be treated as breach of warranty	Breach of warranty cannot be treated as breach of condition.

UNIT- VIII	CHAPTER 22 THE NEGOTIABLE INSTRUMENTS ACT, 1881

II. Very Short Answer Questions

1. What is meant by Negotiable Instrument?

In the words of Justice K.C. Wills, a negotiable instrument is one, the property in which is acquired by anyone who takes it bonafide and for value, and withstanding any defect to title in the person from whom he took it.

2. List three characteristics of a Promissory Note.

- A bank note or a currency note is not a promissory note.
- A promissory note must be sufficiently stamped.
- The sum payable must be certain and must be specified in the note itself.

3. 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"

III. Short Answer Questions

1. Distinguish between Negotiability and Assignability

Basic of Difference	Negotiability	Assignability
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.
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
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.
Consideration	Consideration is presumed	The assignee has to prove the consideration for the transfer.

2. ***What are the characteristics of a bill of exchange?***

- A bill of exchange is a document in writing.
- The document must contain an order to pay.
- The order must be unconditional.
- The instrument must be signed by the person who draws it.
- The name of the person on whom the bill is drawn must be specified in the bill itself.
- The amount that is required to be paid must also be specified in the bill.
- The bill may be payable on demand or after a specified period.
- It must comply with formalities regarding date, consideration, stamps etc.

3. Discuss the two different types of crossing.

- ***General Crossing***

According to section 123 of the Negotiable Instruments Act, 1881, "Where a cheque bears across its face an addition of the words "and company" or any abbreviation thereof, between to parallel transverse lines or of two paralleltransverse lines simply, either with or without the words "not negotiable" that addition shall be deemed a crossing and the cheque shall be deemed to be crossed generally"

- ***Special Crossing***

Section 124 defines special crossing as follows: "Where a cheque bears across its face an addition of the name of a banker with or without the words "not negotiable", that addition shall be deemed a crossing and the cheque shall be deemed to be crossed specially and to be crossed to that banker".

IV. Long Answer Questions:

1. Distinguish a cheque and a bill of exchange.

Basic of Difference	Bill of Exchange	Cheque
Drawn	A bill of exchange can be drawn on any person including a banker	A cheque can be drawn only on a particular banker
Payability	It is payable on demand or on the expiry of a certain period.	It is payable on demand only
Validity	A bill made payable to bearer on demand is void by virtue of section 31 of the RBI Act.	A cheque drawn payable to bearer on demand is perfectly valid
Acceptance	In case of time bill, acceptance by the drawee is necessary before he can be made liable on it.	A cheque does not require any acceptance
Grace period	Three days of grace are allowed	No days of grace are allowed in the

	while calculating the maturity date in the case of time bill.	case of a cheque for the simple reason that is always payable on demand.
Crossing	A bill cannot be crossed	A cheque can be crossed either generally or specially so as to ensure payment to the rightful owner
Stamping	Bills are to be sufficiently stamped	Cheques need not be stamped

2. Discuss in detail the features of a cheque.

- ***Instrument in Writings*** A cheque or a bill or a promissory note must be an instrument in writing. Though the law does not prohibit a cheque being written in pencil, bankers never accept it because of risks involved. Alternation is quite easy but detection impossible in such cases.
- ***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.
- ***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.
- ***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.
- ***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
- ***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.

3. What are the requisites for a valid endorsement?

- Endorsement is to be made on the face of the instrument or on its back. It is usually made on the back of a negotiable instrument.
- When there is no space for making further endorsements a piece of paper can be attached to the negotiable instrument for this purpose. This piece of paper is called 'Allonge'.
- Endorsement for only a part of the amount of the instrument is invalid. It can be made only for the entire amount.
- It is presumed that the endorsements appearing on a negotiable instrument were made in the order in which they appear thereon
- Signing in block letters does not constitute regular endorsement.
- Endorsement must be in link
- A person duly authorised to endorse a cheque or a bill must indicate that he is signing in it on behalf of his principal by using such words as "for", "on behalf of" or "per pro".

II. *Very Short Answer Questions:*

1. ***Mention any two characteristics of entrepreneurs.***

- Spirit of Enterprise
- Self Confidence
- Flexibility
- Innovation
- Resource Mobilisation
- Hard work
- Leadership

2. ***List down the managerial functions of entrepreneurs.***

- Planning
- Organising
- Directing
- Controlling
- Coordination

3. ***List down the promotional functions of entrepreneurs.***

- Discovery of Idea
- Determining the business objectives
- Detailed Investigation
- Choice of form of enterprise
- Fulfilment of the formalities
- Preparation of Business Plan
- Mobilisation of funds
- Procurement of Machines and Materials

4. ***List the challenges faced by the women entrepreneurs***

- Problem of Finance
- Limited Mobility
- Lack of Education
- Lack of Network Support
- Stiff Competition

- Sensitivity
- Lack of Information.

III. *Short Answer Questions:*

1. Distinguish between entrepreneur and Manager.

Basis of difference	***Entrepreneur***	***Manager***
Motive	The very motive of an entrepreneur is to start a venture by setting of an entity.	The very motive of manager is to render service in an entity setup for execution of venture.
Status	Entrepreneur is owner of the entity	Manager is a salaried employee in the entity set up for carrying on the venture.
Risk Bearing	Entrepreneur bears the eventual risk and uncertainty in operating the enterprise	Manager doesn't bear any risk in the venture where the venture is unsuccessful he/she simply quits the enterprise.
Rewards	Entrepreneur is rewarded by profit for the risk bearing exercise. The reward for entrepreneur is totally uncertain.	Manager's reward salary, bonus, allowance is certain and regular.
Skills	An entrepreneur requires creative talent, intuition and urge for innovation.	Manager requires conceptual skills and human relations skills.

2. **List down the commercial functions of Entrepreneur and explain them shortly.**

- ***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.
- ***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.
- ***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.
- ***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.

3. Explain the promotional functions of entrepreneur

- ***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
- ***Determining the business objectives***: Entrepreneur has to develop business objectives in the backdrop of nature of business and type of business activity.
- ***Detailed Investigation*** Entrepreneur has to analyse in detail the product proposes to produce. In other words, Entrepreneur should investigate commercial feasibility of the product proposed to be produced and conduct market study to ascertain the potential demand for the product.
- ***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. which are in existence.

IV. *Long Answer Questions*

1. **What are the characteristics of an entrepreneur?**

- ***Spirit of Enterprise:*** Entrepreneur should be bold enough to encounter risk arising from the venture undertaken.
- ***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.
- ***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.
- ***Innovation***: Entrepreneur should contribute something new or something unique to meet the changing requirements of customers namely new product, new method of production or distribution, adding new features to the existing product, uncovering a new territory for business, innovating new raw material etc.,
- ***Resource Mobilisation:*** Entrepreneur should have the capability to mobilise both tangible inputs like manpower, money materials, technology, market, method etc.

2. **Distinguish between an Entrepreneur and an Intrapreneur.**

Basis	***Entrepreneur***	***Intrapreneur***
Thinking	Entrepreneur is a free thinker	Intrapreneur is forced to think independently but within scope of business activities undertaken in the enterprise.
Dependency	Entrepreneur is an independent person	Intrapreneur is dependent on the entrepreneur. He is an employee.
Fund Mobilization	Entrepreneur has to mobilize funds to finance the venture.	Intrapreneur does not engage in fund mobilization. But can access funds mobilized by the entrepreneur.
Reward	Entrepreneur is rewarded by profit for the risk bearing exercise	Intrapreneur does not share in profits of venture. But gets perquisites, salary, incentives etc., for the service.
Risk Bearing	Entrepreneur bears the risk involved in the venture undertaken.	Intrapreneur does not bear any risk in the venture and does not even share the risk inherent in the project or work assigned.
Status	Entrepreneur is owner, and doesn't report to anybody in the venture	Intrapreneur is a salaried employee. Intrapreneur works within control put in place in the organization and is made accountable for the activities undertaken.
Operation	Entrepreneur operates mostly outside the enterprise.	Intrapreneur operates within the enterprise.

4. **Discuss the challenges faced by Women Entrepreneurs.**

- ***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.

- ***Limited Mobility***

Indian women cannot afford to shed their household responsibilities towards their family even after they plunge into the venture started by them.

- ***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.,

- ***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.

- ***Stiff Competition***

Women entrepreneurs have to face acute competition for their goods from organised sector and from their male counterparts.

- ***Sensitivity***

Women are more prone to a variety of emotions. Being mother, women are vulnerable to many emotions. They tend to have sympathy and empathy for others.

- ***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.

UNIT-IX	CHAPTER 24 TYPES OF ENTREPRENEURS

II. Very Short Answer Questions:

1. What is the other name of business entrepreneur?

Business entrepreneur is called solo entrepreneur. He/she is the one who conceives an idea for a new product/service and establishes a business enterprise to translate his idea into reality

2. Mention the other name for corporate entrepreneur.

Corporate entrepreneur is called promoter. He/she takes initiative necessary to start an entity under corporate format.

3. Who are agricultural entrepreneur?

Those who raise allied products like poultry, meat, fish, honey, skin, agricultural implements, flower, silk, fruits, prawn etc., are called agricultural entrepreneur. In short these entrepreneurs pursue their venture in agriculture and allied sector.

4. Give some examples of pure entrepreneurs.

- DhirubaiAmbani,
- Jamshadji Tata,
- T.V. SundaramIyengar, Seshadriji,
- Birla,
- Narayanamurthi,
- Aziz Premji

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. Explain about the 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. ***Write about Fabian entrepreneur***.

These entrepreneurs are said to be conservatives and sceptical about plasticising any change in their organisation. They are of risk-averse type. They do not simply change to the changes happening in the environment.

But they adapt themselves to the changes only as a last resort when they fear that non adaptability to changes will inevitably lead to loss or collapse of the enterprise.

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.

IV. Long Answer Questions:

1. Explain in detail on classification according to the type of business

- ***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.

- ***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.

- ***Industrial Entrepreneur***

These are entrepreneurs who manufacture products to cater to the needs of consuming public after identifying the need left unfulfilled by the manufacturer hitherto. They may be small, medium and large entrepreneurs.

- ***Corporate Entrepreneur***

Corporate entrepreneur is called promoter. He/she takes initiative necessary to start an entity under corporate format. He/she arranges to fulfil the formalities to start a corporate entity under Company law.

- ***Agricultural Entrepreneur***

Agricultural entrepreneurs are those entrepreneurs who raise farm products and market them. They use the various inputs like labour, fertilizer, insecticide, water technology etc. to raise the products and market their products either directly or through co-operative entities or through brokers or through tie up with large retailers.

- ***Retail Entrepreneurs***

Retail entrepreneurs are those who enter into venture of distributing the end-product to final consumer while wholesale entrepreneurs take up the venture of distributing the product to retailer.

- ***Service Entrepreneurs***

Service entrepreneurs enter into the venture of supplying service products to end consumers. Hoteliers, airlines, banking, insurance and financial service providers, come under service entrepreneur’s category.

2. Discuss the nature of functional entrepreneurs.

- ***Innovating Entrepreneur***

Innovative entrepreneur is one who is always focussed on introducing a new project or introducing something new in the venture already started. They constantly observe the environment around them; collect information and analyse them in order to contribute something a new in the venture.

- ***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.

- ***Fabian Entrepreneur***

These entrepreneurs are said to be conservatives and sceptical about plasticising any change in their organisation. They are of risk-averse type. They do not simply change to the changes happening in the environment. But they adapt themselves to the changes only as a last resort when they fear that non adaptability to changes will inevitably lead to loss or collapse of the enterprise.

- ***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.

II. Very Short Answer Questions

1. **Name any two Governmental Entrepreneurial schemes.**

- Startup India
- Make in India
- Atal Innovation Mission (AIM)
- Support to Training and Employment Programme for Women (STEP)
- Jan Dhan-Aadhaar - Mobile (JAM)
- Digital 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 for entrepreneur.**

- Long term finance
- Short term finance.

III. Short Answer Questions:

1. **What is 'Startup India'?**

It was launched in 2015, Stand-Up India seeks to leverage institutional credit for the benefit of India's underprivileged. It aims at enabling economic participation of, women entrepreneurs, Scheduled Castes and Scheduled Tribes and share the benefit of Indian growth with the above mentioned categories.

Towards this end, at least one women and one individual from the SC or ST communities is granted loans between Rs.10 lakshs to Rs.1 crore to set up greenfield enterprises in manufacturing, services or the trading sector.

2. **Expand the following: STEP, JAM, TREAD, M-SIPS, SEED and New Gen IEDC**

- Support to Training and Employment Programme for Women (STEP)
- Jan Dhan-Aadhaar - Mobile (JAM)
- Trade related Entrepreneurship Assistance and Development (TREAD)
- Modified Special Incentive Package Scheme (M-SIPS)
- Science for Equity Empowerment and Development (SEED)
- New Gen Innovation and Entrepreneurship Development Centre (New Gen IEDC)

IV. Long Answer Questions:

1. **Explain any five Government Entrepreneurial schemes.**

- ***Startup India:***

Through the Startup India initiative, Government of India promotes entrepreneurship by mentoring, nurturing and facilitating startups throughout their life cycle.

Since its launch in January 2016, the initiative has successfully given a head start to numerous aspiring entrepreneurs.

A 'Fund of Funds' has been created to help startups gain access to funding.

- ***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.

- ***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.

- ***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.

- ***Stand-Up India:***

It was launched in 2015, Stand-Up India seeks to leverage institutional credit for the benefit of India's underprivileged. It aims at enabling economic participation of, women entrepreneurs, Scheduled Castes and Scheduled Tribes and share the benefit of Indian growth with the above mentioned categories.

2. Describe the steps promoting Entrepreneurial venture.

- ***Selection of the product***

An entrepreneur may select a product according to his aspiration, capacity and motivation after a thorough scrunity of micro and macro environment of business.

- ***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.

- ***Selection of Site***

Entrepreneur has to choose suitable plot for accommodating his venture. He has four options open to him for housing his venture.

- ***Designing Capital Structure***

Entrepreneur has to determine the source of financé for funding the venture. He/she may mobilise funds from his own savings, loans from friends and relatives, term loans from banks and financial institutions.

- ***Acquisition of Manufacturing know-how***

Entrepreneur can acquire manufacturing know-how from Government research laboratories, research and development divisions of industries, and individual consultants.

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:

- Promotion
- Registration
- Capital Subscription
- Commencement of Business.

2. **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.

3. 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.

4. 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'.

Issue of fully paid bonus shares to members of the company.

(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.

2. Explain different Kinds of Preference shares.

Cumulative Preference shares: As the word indicates, all dividends are carried forward until specified, and paid out only at the end of the specified period.

Non-cumulative Preference shares: The opposite of cumulative, obviously. Dividends are paid out of profits for every year. There are no arrears carried over a time period to be paid at the end of the term

Redeemable Preference shares: Such preference shares can be claimed after a fixed period or after giving due notice.

Non-Redeemable Preference shares: Such shares cannot be redeemed during the lifetime of the company, but can only be obtained at the time of winding up (liquidation) of assets.

Convertible Preference shares: The shares can be converted into equity shares after a time period or as per the conditions laid down in the terms.

IV. Long Answer Questions

1. Write the difference between Debentures and Shares:

DEBENTURES	SHARES
Debentures constitute a loan	Shares are part of the capital of a company
Middle and Lower Level	part of the capital of a company. Middle and Lower Level
Debenture holder gets fixed rate of Interest which carries a priorities over dividend.	Shareholders gets dividends with a varying rate.
Debentures generally have a charge on the assets of the company.	Shares do not carry any such charge.
Debentures can be issued at a discount without restrictions.	Shares cannot be issued at a discount.
The rate of interest is fixed in the case of debentures	Whereas on equity shares, the dividend varies from year to year depending upon the profit of the company and the Board of directors decision to declare dividends or not
Debenture holders do not have any voting right	Shareholders enjoy voting right.

2. What are the various kinds of Debentures?

Debentures are generally classified into different categories on the basis of:

- Convertibility of the Instrument
- Security of the Instrument
- Redemption ability
- Registration of Instrument
- ***On the basis of convertibility, Debentures may be classified into following categories:***

(i) Non Convertible Debentures (NCD): These instruments retain the debt character and cannot be converted into equity shares.

(ii) Partly Convertible Debentures (PCD): A part of these instruments are converted into Equity shares in the future at notice of the issuer. The issuer decides the ratio for conversion. This is normally decided at the time of subscription.

- ***On the basis of Security, debentures are classified into***

(A) Secured Debentures: These instruments are secured by a charge on the fixed assets of the issuer company.

(B) ***Unsecured Debentures:*** These instrument are unsecured in the sense that if the issuer defaults on payment of the interest or principal amount, the investor has to be included as unsecured creditors of the company.

- ***On the basis of Redeemability, debentures are classified into:***

(A) ***Redeemable Debentures***: It refers to the debentures which are issued with a condition that the debentures will be redeemed at a fixed date or upon demand, or after notice, or under a system of periodical drawings.

(B) ***Perpetual or Irredeemable Debentures***: A Debenture, in which no specific time is specified by the companies to pay back the money, is called an irredeemable debenture

- ***On the basis of Registration, debentures may be classified as***

(A) ***A Registered Debentures***: Registered debentures are issued in the name of a particular person, whose name appears on the debenture certificate and who is registered by the company as holder on the Register of debenture holders.

(B) Bearer debentures: Bearer debentures on the other hand, are issued to bearer, and are negotiable instruments, and so transferable by mere delivery like share warrants.

UNIT- X	CHAPTER 27 COMPANY MANAGEMENT

II. Very Short Answer Questions:

1. Name the companies required to appoint KMP.

The companies required to appoint KMP

- Every listed comoany
- Every public company (Having paid up share capital of Rs.10 crore or More)

2. 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

***3.* Who is called as Managing Director?**

A Director is one who is employed by the company and has substantial powers of management over the affairs of the company subject to superintendence, direction and control of the board

4. 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 organization.

III. Short Answer Questions:

III. Short Answer Questions:

1. When are alternative directors appointed.

Alternate director is appointed by the Board of Directors, as a substitute to a director who may be absent from India, for a period which is not less than three months. The appointment must be authorised either by the Articles of Association of the company or by a passing a resolution in the General Meeting. The alternative director is not a representative or agent of Original Director.

2. Who is a shadow director?

A person who is not the member of Board but has some power to run it can be appointed as the director but according to his/her wish.

3. State the minimum number of Directors for a Private company.

Under section 149 (1) of the Companies Act, 2013 states that the requirement of Minimum/ Maximum Number of Directors in a Company Minimum Number of Directors

a) Public Company:

Every Public company shall have a minimum number of 3 directors and

b) Private company

In case of One Person Company: The requirement of directors is one.

Other Private Companies: The minimum requirement of Directors is two.

IV. Long Answer Questions:

1. Who are the KMP?

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; and

(vi) such other officer as may be prescribed

2. Brief different types of Directors.

- ***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.

- ***Independent Director:***

According to Section 149(6) an independent director is an alternate director other than a Managing Director who is known as Whole Time Director Or Nominee Director. The following type of companies has to appoint minimum.

- ***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.

- ***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".

- ***Women Director:***

As per Section 149 (1) (a), there are certain categories according to which there should be at least one woman as a director on the Board. The following class of companies shall appoint at least one woman director.

- ***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.

- ***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.

- According to the different provisions relating to the directors; the following qualifications may be mentioned
- A director must be a person of sound mind.
- A director must hold share qualification, if the article of association provides such.
- A director must be an individual.
- A director should be a solvent person.
- A director should not be convicted by the Court for any offence, etc.

CHAPTER 28

COMPANY SECRETARY

II. *Very Short Answer Questions:*

1. Who is a Secretary?

The word secretary has originated in Latin. The Latin word 'Secretarius' which means secret. As we know secret refers to something, which is not disclosed and kept as confidential.

Some Information should be kept very confidential in all the companies. Hence, a person is appointed to perform activities which are confidential in nature and manage the day-to-day business of the company.

The person who steers the company holding the administrative, financial, and overall performance of the company is called company secretary.

2. 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 thereunder. It is essential that the business dealt with at the meetings, should be validly transacted and not liable to be questioned later due to any irregularity.

3. 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

4. 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. The proposals passed across the table of any company depend mainly on the votes cast by the board of directors.

III. Short Answer Questions:

1. **What is Special Resolution**?

A special resolution is the one which is passed by a not less than 75% of majority. The number of votes, cast in favour of the resolution should be three times the number of votes cast against it. The intention of proposing a resolution as a special resolution must be specifically mentioned in the notice of the general meeting.

2. What do you mean by Statutory Meeting?

According to Companies Act, every public company, should hold a meeting of the shareholders within 6 months but not earlier than one month from the date of commencement of business of the company. This is the first general meeting of the public company is called the Statutory Meeting

3. Give any three cases in which an ordinary resolution need to be passed.

- To change or rectify the name of the company
- To alter the share capital of the company
- To redeem the debentures
- To declare the dividends
- To approve annual accounts and balance sheet
- To appoint the directors

IV. Long Answer Questions:

1. Briefly state different types of company meetings.

1. Meetings of Shareholders:

(a) Statutory Meeting

According to Companies Act, every public company, should hold a meeting of the shareholders within 6 months but not earlier than one month from the date of commencement of business of the company. This is the first general meeting of the public company is called the Statutory Meeting.

(b) Annual General Meetings (AGM)

Every year a meeting is held to transact the ordinary business of the company. Such meeting is called Annual General Meeting of the company (AGM). Company is bound to invite the first general meeting within eighteen months from the date of its registration.

(c) Extraordinary General Meetings (EGM)

Both Statutory meeting and annual general meetings are called as ordinary meetings of a company. All other general meetings other than statutory and annual general meetings are called extraordinary general meetings.

2. Meetings of the Directors

(a) Board meetings

Meetings of directors are called Board Meetings. Meetings of the directors provide a platform to discuss the business and take formal decisions. First meeting of directors should be convened within 30 (Thirty) days from the date of incorporation of the company.

(b) Committees meetings

3. Special Meetings

(a) Class Meetings.

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) Creditors and of Debenture/bond holders meetings

Strictly speaking, these are not meetings of a company. Unlike the meetings of a company, there arise situation in which a company may wish to arrive at a consensuses with the creditors to avoid any crisis or to evolve compromise or to introduce any new proposals.

2. Explain different types of open and secret types of voting.

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.

(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.

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.

- ***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.

- ***Postal Ballot***

Big companies or big associations having members scattered all over the country follow this method of voting.