BUSINESS STUDIES

(CLass - XII)

Year : 2011-12

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BUSINESS STUDIES SYLLABUS
Class XII

Time : 3 Hrs. **100 Marks**

The weightage to marks over different dimensions of the question paper shall be as under :-

A. Weightage to content / Subject units.

S.N.	Content Unit	Marks
Part A : Principles and Functions of Management		
1.	Nature and Significance of Management	7
2.	Principles of Management	7
3.	Business Environment	5
4.	Planning	7
5.	Organizing	10
6.	Staffing	8
7.	Directing	10
8.	Controlling	6
	Total (A)	**60**
Part B : Business Finance and Marketing		
9.	Financial Management	12
10.	Financial Markets	8
11.	Marketing	14
12.	Consumer Protection	6
	Total (B)	**40**
	GRAND TOTAL (A + B)	**100**

B. Weightage of forms of Questions

S.N.	Forms of Questions	Marks for each questions	No. for questions	Total Marks
1.	Very short answer type (VSA)	1	10	10
2.	Short answer type I (SAI)	3	5	15
3.	Short answer type (SA II)	4	5	20
4.	Long answer type (LA I)	5	5	25
5.	Long answer type (LA II)	6	5	30
6.	**Total**		**30**	**100**

Unit

1

Nature And Significance of Mangement

IMPORTANT POINTS : -

Management can be defined as, "the process of getting things done with the aim of achieving goals effectively and effciently".

1. Difference between effciency and effectiveness.

1. Efficiency is quantitative while effectiveness is qualitative.
2. Efficiency is doing the things right but effectivenes is doing the right thing.
3. Both are essential for the business i.e. doing the tasks within parameters of quality and quantity.

Example : - A business produces targeted 1000 units but at a higher cost is effective but not efficient. Therefore if the business has to be effective and efficient then it has to produce 1000 units within cost.

2. Characteristics of management are :-

1. It is a goal orientied process i.e. the desired objectives and results must be known in advance.

2. It is all pervasive in all types of organizations economic, social and political.
3. It is multidimensional as it involves management of Work, People and operations.
4. It is a continuous process i.e its functions are being performed by all managers simultaneously.
5. It is a group activity since it involves managing and coordinating activities of different people as a team to attain the desired objectives.
6. It is a dynamic function since it has to adapt to the changing environment.
7. It is an intagible force as it cannot be seen but its effect felt in the form of results like whether the objectives are met and whether people are motivated or not.

3. Objectives of management are :-

- Organizational objectives of Survival (Earning enough revenues to cover cost); Profit (To Cover cost and risk); & Growth (To improve its future Prospects).
- Social Objectives of giving benefits to society like using environmental friendly practices and giving employment to disadvantaged sections of society etc.
- Personal Objectives because diverse personal objectives of people working in the organization have to be reconciled with organizational objectvies.

4. Importance of management :-

- Helps in achieving group goals.
- Increases efficiency.
- Creates a dynamic organization which adapts itself to changing situations.
- It helps in achieving personal objectives of individuals working in it.
- It helps in the development of society by producing good quality products and working progressively.

5. Nature of Management - Management as an Art, Science and Profession.

<u>Management as an Art</u>

- Existence of theoretical knowledge
- Personalized application
- Based on practice and creativity

Management as a Science

- Systematized body of knowledge
- An inexact science based on human behaviour
- Principles have to be modified according to the situation.

Management as a Professsion

- Well defined body of knowledge based on Principles.
- No restricted Entry
- No binding code of conduct
- Service motive holds true

6. Levels of Management :- Top, Middle and operational levels.

Top Level

- Consists of Chairperson, Chief Executive Officer, Chief Operating Officer or equivaent and their team.
- Chief task is to integrate and to coordinate the various activities of the business.

Middle Level

- Consists of divisional heads, Plant Superintendent and Operations Manager etc.
- Main tasks are to interpret the policies of the top management, to ensure the availability of resources to implement Policies & to coordinate all activities.

Lower Level / Supervisory Level

- Consists of Foremen and supervisors etc.
- Main task is ensure actual implementation of the policies as per directions.

7. Functions of Management :- Planning, Organizing, Staffing, Directing and Controlling.

- Planning is deciding in advance what to do in future.
- Organizing is to assign duties, grouping tasks, establishing authority and allocating resources required to carry out a specific plan.

- Staffing is finding the right people for the right job.
- Directing is leading, influencing and motivating employees to perform the tasks assigned to them.
- Controlling is monitoring the organizational performance towards the attainment of organizational goals.

8. **Coordination** :- The essence of Management :- Coordination is the force which synchronizes all the functions of management.
   - It integrates the group efforts.
   - It ensure unity of action.
   - It is a continuous process.
   - It is an all pervasive function.
   - It is a deliberate function.
   - It is the responsibility of all managers

IMPORTANT QUESTIONS

1 MARK QUESTIONS (To be answered in one word or one sentence)

1. In order to be successful an organization must change its goals according to the needs to the environment. Which characteristic of management is highlighted in the statement? (Answer :- It is a dynamic function).
2. To meet the objectives of the firm the Management of Angora Limited offers employment to Physically Challenged persons. Identify the organizational objective it is trying to achieve. (Answer : - Social Objective).
3. Management of any organization strives to attain different objectives. Enumerate any two such objectives.
4. Give any two characteristics of management.
5. Management is multidimensional. Enumerate any two dimensions of management.
6. Managerial activities are performed in all types of organizations in all departments at all levels. Which management character is highlighted here? (Answer : It is all pervasive)
7. Your grandfather has retired where he is responsible for implementing the plans developed by the top management at which level of management was he working? State one more function of this level of management.

(Answer : Middle level management.) (Write any one fuction of this level).

8. List any two social objectives of management.

9. Your grandfather has retired as a Director of manufacturing company. At which level of management was he working? Different functions are performed at this level. State any one such function. (Answer :- Top level of management) (Write any one function of this level).

10. What is meant by management?

3/4 MARKS QUESTIONS (To be answered in about 50 to 70 words)

1. There are different Business Objectives and Economic Objectives are one among them. Explain these economic objectives.

2. Explain how management is an art.

3. Explain how management is a profession.

4. Explain how management is science.

5. "Coordination is the essence of management". Explain.

5/6 MARKS QUESTIONS (To be answered in about 150 words)

1. Management is a Professional like Accounting, Medicine and Law as it also has a well defined body of knowledge. Yet management does not quality to be a full fledged profession. Why ? (Hint :- No formal qualification is prescribed to enter management, no code of conduct is prescribed).

2. "Success of an organization largely depends upon its management" Explain any five reasons to justify the statement. (Hint. : - Give five points of importance of management).

Unit

2

Principles of Management

IMPORTANT POINTS : -

1. **Concept of Principle of Management :-**

   It is broad and general guideline for managerial decision making; are different from principles of science as they deal with human behaviour; are different from techniques of management as techniques are method whereas principles are guidelines to action and decision making; are different from values which are formed as generally accepted behaviour in society and having moral coordination where as principles are formed through research having technical nature.

2. **Nature of Principles of Management :**

   The nature of principles of management can be described in the following points :-

   - Universal applicability i.e. they can be applied in all types of organizations
   - General Guidelines to action which however do not provide readymade solutions as the business environment is very changing or dynamic.
   - Formed by practice and experimentation.

- Flexible which have to be modified by the practicing manager as per the demands of the situations.
- Mainly Behavioral since the principles aim at influencing human behavior.
- Cause and Effect relationship which can be used in similar situations in a large number of cases.
- Contingent as their applicability depends upon the prevailing situation.

3. Significance of the Principles of Mangement : -

The significance of principles of management can be derived from their utility which can be understood from the following points :-

- Providing managers with useful insights into reality.
- Optimum untilization of resources and effective administration.
- Scientific decisions.
- Meeting the changing environmental requirements.
- Fulfilling social responsibility.
- Management training, education and research.

4. Taylor's Scientific Management :

F.W. Taylor (1856-1915) was an American mechanical engineer who believed in analyzing the work scientifically and finds one best way to do any work. His book "Principles of Scientific Management" was published in 1911.

5. Principles of Scientific Management :-

Taylor gave the following principles of scientific management :-

- Science and not the rule of thumb which implies developing one standard method through work study unifying the best practices globally which would result in optimum resource utilization.
- Harmony, Not discord which implies that there should be mental revolution on part of managers, workers and owners to respect each other's role and eliminate any class conflict to realize organizational objectives.
- Cooperation not individualism is an extension of the Principle of Harmony, Not discord whereby constructive suggestions of workers should be adopted and they should not go on strike as both management and workers share responsibility and perform together.

- Development of Each and Every Person to His or Her greatest Efficiency and Prosperity which implies development of competencies of all persons of an organization after their scientific selection and assigning work suited be to their temperament and abilities.

6. Techniques of Scientific Management :-

These include Functional Foremanship ; Standardization and SImplification of Work; Method study; Motion Study; Time-Study; Fatigue Study and Differential Piece Wage System. These are briefly discussed below :-

- Functional Foremanship is a technique in which Planning and Execution are saparated. There are 8 types of specialized professionals 4 each under planning and execution who keep a watch on all workers to extract optimum performance.
- Standardization refers to developing standards for every business activity whereas Simplification refers to eliminating superfluous varieties of product or service.
- Method study aims to find one best way to do a job.
- Motion study seeks to eliminate unnecessary motions in the execution of a job to enable it to be completed in less time efficiently.
- Time Study determines standard time taken for a well defined job.
- Fatigue study seeks to determine amount and frequency or rest intervals in completing a task.
- Differential Piece Wage system seeks to reward a more efficient worker by giving him/her more wages for more quantity of standard production achieved.

7. Foyol's Principles of Management :-

Henri Fayol (1841-1925) was a French Mechanical engineer who gave 14 general principles of Management which are as under :-

- Division of Work :- Work is divided into small tasks / jobs and each one is done by a trained specialist which leads to greater efficiency.
- Authority and Responsibility : - Managers are empowered with authority to give orders and obtain obedience and responsible for the accomplishment of task for which they are granted authority.
- Discipline - It is the obedience to organizatinal rules and employment agreement which are necessary which are necessary for working of the organization.

- Unity of Command :- There should be only one boss for every employee.
- Unity of Direction : - Each group of activities having the same objective must have one haad and one plan.
- Subordination of Individual Interest to General Interest : - The interest of an organization should take priority over the interests of any one individual employee.
- Remuneration of Employees :- The overall pay and compensation should be fair to both employees and the organization.
- Centralization and Decentralization : - The concentration of decision making authority is called centralization whereas its dispersal among more than one person is known as decentralization. Both should be balanced.
- Scalar Chain : The formal lines of authority between superiors and subordinates from the highest to the lowest ranks is known as scalar chain.
- Order :- A place for everything (everyone) and everything (everyone) in its place.
- Equity :- The working environment of any organization should be free from all forms of discrimination and the principles of Justice and fair play should be followed.
- Stability of Personnel : After being selected and appointed after due and rigorous procedure the selected person should be kept at the post for a minimum period decided to show result.
- Initiative :- Workers should be encouraged to develop and carry out their plans for improvements.
- Espirit De Corps :- Management should promote team spirit, unity and harmony among employees.

8. Fayol versus Taylor :-

While the work of Taylor concerned shop floor the work of Fayol concerned General Principles applicable to all types of situations.

IMPORTANT QUESTIONS

1 Mark Questions (To be answered in 1 word or 1 sentence)

1. “The Principles of Management are different from those used in pure

science". Write anyone difference.

2. Why is it said that the management principles are universal?

3. Different techniques were developed by Taylor to fcilitate the Principles of Scientific Management. One of them was 'Fatigue study'. What is the objective of this study?

4. List any two principles of "Scientific Management" formulated by Taylor for managing an organization scientifically?

5. What is meant by principles of management?

6. State anyone principle of scientific management.

7. State any one reason why Principles of Management are important.

8. Give the meaning of mental revolution as suggested by Taylor.

3/4 MARKS QUESTIONS :

1. Explain the following principles of management :-
   a) Equity.
   b) Remuneration of Employees.

2. In your school, you observe that books are kept in office, chalks in the library and office records in the staffroom. How will that affect the achievement of school objectives? Which aspect of management is lacking here and why? As a manager, what steps will you take to rectify the shortcomings?

5/6 MARKS QUESTION (To be answered in about 150 words)

1. Explain any two techniques of Taylor's Scientific Management.

2. Explain the following principles of Fayol with example.
   a) Unity of Command   b) Unity of Direction
   c) Order   d) Espirit De Corps.

Unit

3

Business Environment

MAIN POINTS

1. Meaning of Business Environment :-

It means the sum total of all individuals, institutions and other forces that are outside the control of a business enterprise but may affect its performance. It has the following features :-

- Totality of External Forces.
- Specific and General Forces :- Specific forces such as investors and customers; General forces such as social, political and legal conditions etc.
- Inter-relatedness :- Diffrent parts of business environment are inter-related.
- Dynamic nature :- Business environment keeps on changing.
- Uncertainty :- It is difficult to predict.
- Complexity :- Numerous inter-related and dynamic conditions or forces which arise from different sources make the Business environment easier to understand in parts but difficult to grasp it in totality.

- Relativity :- It differs from country to country.

2. Importance of Business Environment :-

The importance of knowledge of Business Environment can be realized from the following facts :-

- It enables the firm to identify opportunities and getting the first mover advantage.
- It helps the firm to identify threats and early warning signals.
- It helps in tapping useful resources.
- It helps in coping with rapid changes.
- It helps in assisting in planning and policy formulation.
- It helps in improving performance.

3. **Dimensions of Business Environment** :-

These include economic, social, technological, political and legal conditions which are considered relevant for decision making and improving the performance of an enterprise. The example of sub components of these dimensions are :-

- Economic Environment : - Relative roles of public and private sectors in the economy; rates of growth of GNP and per capital income; Rates of saving and investment; Imports and exports; Balance of payments and changes in foreign enchange reserves; Agricultural and Industrial Production trends etc.
- Social Environment :- Attitudes towards product innovations, lifestyles, occupational distribution and consumenr preferences; Concern with quality of life; Life Expectancy; Expectations from work force; Shifts in the presence of women in workforce; Birth and death rates; Population shifts; Educational system and literacy rates; Consumption habits; Compositions of family.
- Technological Environment :- Forces relating to scientific improvements and innovations which provide new ways of producing goods and services and new methods and techniques of operating a business.
- Political Environment :- The constitution of the country; Prevailing political system ; Degree of Politicization of business and economic issues; Ideologies of political parties; Nature and profile of political leadership; level of political morality; Political institutions like

govenment and allied agencies; Extent and nature of government intervention in Business; The nature of relationship of our country with foreign countries.

- Legal Environment :- It includes various legislations passed, administrative orders issued, court judgments Pronounced as well as decisions rendered by various commissions and agencies at every level of the government Centre, state or local.

4. Economic Environment in India :-

In India the Economic environment is characterized by policies which promote Liberalization, Privatization and Globalization. These are described below :-

- Liberalization :- Abolishing licensing requirements; Freedom in deciding the scale of business; removals of restrictions on movements of goods and services; reduction in tax rates; freedom in fixing prices; simplifying procedures; making it easier to attract foreign investment.
- Privatization :- Giving greater role to private sector in the nation buiding process and reduced role of public sector; Disinvestment in many Public Sector undertaking etc.
- Globalization :- It means integration of various economics of the world leading to the emergence of cohesive global economy. The measures taken by the Government include trade liberalization which includes import liberalization; Export Promotion though rationalizatin of tariff structure; Foreign exchange liberalization; increased interaction among global economics under the aegis of World Trade Organization.

5. Impact of Government Policy Changes on Business and Industry :

These are as under :-

- Increasing Competition.
- More Demanding Customers.
- Rapidly changing technological environment.
- Necessity for change :- Due to turbulent market forces the enterprises have to continuously modify their operations.
- Market Orientation.
- Loss of support to the Public Sector.

IMPORTANT QUESTIONS

1 MARK QUESTIONS (To be answered in 1 word or 1 sentence)

1. Govt. of India is seriously thinking to allow oil marketing public sector undertaking to fix their own price for petrol and diesel. Which economic reform is the reason of this change in government's policy? (Answer : Liberalization)
2. Just after declaration of Lok Sabha Elections 2009 results, the Bombay stock exchange's price index (Sensex) rose by 2100 points in a day. Identify the environmental factor which led to this rise. (Answer : Political Environment)
3. State any two impacts of change of government policy on business and industry.
4. "The understanding of business environment helps the managers to identify 'threats'." What is meant by 'threats' here? (Answer :- Threats refer to the external environment trends and changes that will hinder a firm's performance)
5. "Business environment includes both 'specific and general forces.' List any four specific forces. (Answer :- Suppliers, investors, customers and competitors).
6. "The understanding of business environment helps the managers to identify "Opportunities". What is meant by 'Opportunities' here? (Answer : Social, Economic, Political Legal and Technological).
7. Business Environment includes both 'specific and general' forces'. List any four general forces. (Answer - Opportunities refer to positive changes and trends that will help the business to improve its performance.)

3/4 Marks Questions (To be answered in about 50 to 75 words)

1. Explain any three features of Business Environment.
2. Explain any two impacts of Government policy changes on Business and Industry.
3. Explain 'Increasing Competition' and 'More demanding customers' as impact of Government policy changes on Business and Industry.

5 Marks Questions (To be answered in about 150 words)

1. Identify the type of dimension of environment to which the following are

related :-

i) Banks reducing interest rates on housing loans.

ii) An increasing number of working women.

iii) Booking of air tickets through internet.

iv) Alcohol beverages are prohibited to be advertised on ‘Door Darshan’.

Answer : (i) Economic Environment, (ii) Social Environment, (iii) Technological Environment, (iv) Legal Environment

Unit

4

Planning

Concept-

Planning is decinding in advance what to do, how to do it, when to do it and who is to do it. Planning bridges the gap from where we are to where we want to go. It is one of the basic managerial functions. Planning involves setting objectives and developing appropriate courses of action to achieve these objectives.

Importance of Planning :-

1. Planning provides directions : By Stating in advance how work to be done planning provides direction for action.
2. Planning reduces the risk of uncertainty :- Planning is an activity which enables a manager to look ahead.
3. Planning reduces wasteful activities :- Planning serves as the basis of coordinating the activities and efforts of different departments and individuals useless and redundant activities are minimised.

4. Planning promotes innovative ideas : Planning is the first function of management new ideas can take the shape of concrete plans.

5. Planning facilities decision making :- The manager has to evaluate each alternative and select the most viable proposition.

6. Planning establishes standards for controlling :- Planning provides the standards against which he actual performance can be measured and evaluated. Control is blind without planning. Thus planning provides the basis for control.

Features of Planning :-

1. Planning focuses on achieving objectives :- Planning function of management starts with determination of objectives. Once the objectives are set up, the next step is to determine the step that are to be followed to achieve these objectives.

2. Planning is the primary function of management : - Planning precedes organising, directing and controlling. It serves as the basis of all other function of management.

3. Planning is pervasive : Planning is required in all types of organisations and at all levels of management.

4. Planning is continuous :- Planning is a continuous process.

5. Planning is futuristic : Planning is deciding in the present what to do in the future.

6. Planning is a mental exercise : Planning requires application of the mind involving creative thinking and imagination, therefore this is a mental exercise :

Limitations of Planning

1. Planning leads to rigidity a well defined plan is drawn up with specific goals to be achieved within a specific time frame. There plans then decide the future course of action. This kind of rigidity in plan may create difficulty.

2. Planning may not work in a dynamic environment :- The business environment is dynamic, nothing is constant.

3. Planning reduces creativity : Planning is an activity which is done by the top management therefore it reduced other level creativity.

4. Planning involves huge costs : When plans are drawn up, huge cost involved in their formulation.

5. Planning is a time consuming : Sometime plans to be drawn up take so muck of time that there is not much time left for their implementation.
6. Planning does not quarantee of success :-

Planning Process :-

1. Setting Objectives : The first and foremost step is setting objective. Objective may be set for the entire organisation and each department.
2. Indetifying alternative courses of action :- Once objective are set. Then the next step would be to act upon them. All the alternative courses of action should be identified.
3. Evaluating alternative Courses : The next step is to be weigh pros and cons of each alternative. Each course will have many variables which have to be weighted against each other.
4. Selecting an alternative :- After comparison and evaluation the best alternative is chosen for reaching organisation objectives.
5. Implement the plan : Once the plan are developed they are put into action.
6. Follow to action : To see whether plans are being implemected, activities are performed according to schedule.

Types of Plan :-

1. Objective : Objectives therefore can be said to be the desired future position that the management would like to reach.
2. Strategy : A strategy refers to future decision defining the organisation's direction and scope in the long run.
3. Policy : Policies are general statements that guide thinking or channelise energies towards a particular direction. "We don't sell on Credit" is the example of sales policy.
4. Procedure : Procedures are routine steps on how to carry out activities.
5. Rule : Rules are specific statement that tell what is to be done. For example "No Smoking" is a rule.
6. Programmes :- Programmes are the combination of goals, policies and rules. All these plans together form a programme.

7. Budgets : A budget is a statement of expected result expressed in numerical terms for a definite period of time in the future.

1 Mark Questions

1. Define planning.
2. Explain Procedures.
3. Define Rules.
4. Write the meaning of Budgets.
5. Write one difference between Policies & Procedure.
6. One of the function of management is considered as base for all other function. Name that functions.
7. Name the types of plan in which the movement of competitors is considered.
8. "No Smoking in the work shop" This statement is related to which types of plan.
9. "We do not sell on credit" This statement is related to which types of plan.
10. Write the meaning of strategies.

3 and 4 Marks Question

11. "Planning is the heart of management". How?
12. Conrol is blind without planning. How?
13. How planning proviide base to controlling?
14. Write the difference between rules and policies.
15. Write the difference between Policies & Procedures.

5 - 6 Marks Question :-

16. Explain any four types of planning.
17. In spite of best effort of managers sometime planning fails to achieve desired result due to its limitations. Explain.
18. Planning keeps the organisation on the right path. In this reference explain the importance of Planning.

19. Explain the features of Planning.
20. Explain the limitations of Planning.
21. Explain the process of Planning.

Unit

5

Organising

Meaning of Organising :-

After laying down the plans and objectives the next function to be performed by the managers is organising. It determines what activities and resources are required and decides who will do a particular task, where it will be done and when it will be done.

* Organising is the process of identifying and grouping the work to be performed, defining and delegating responsibility and authority and establishing relationships for the purpose of enabling people to work most effectively together in accomplishing objectives.

Step Involved in the Process of Organising :-

1. Indentification and Division of Work :- It involves identification and dividing the total work to be done into specific activities (called jobs) in accordance with previously determined plans. By dining the work the burden of work can be shared among the employees.

2. Departmentalisation :- The second step in organising is to combine or

grop similar or related jobs into larger units called departments, devisions or sections. They can be grouped on the basis of functions which on organisation undertakes to achieve its objective. For example departments may be created for manufacturing, marketing, financing etc.

3. Assignment of duties :- Once departments have been formed each of them is placed under the charge of an individual called departmental head (e.g., production manager, finance manager etc.) Jobs are then allocated to the members of each department according to their skills and qualifications.

4. Establishing Reporting Relationships :- Merely allocating work is not enough. Each individual should also know from whom he has to take orders and to whom he is accountable. It helps in coordination amongnst various departments.

Importance of Organising :-

1. Benefits of specialisation : - In organisions every individual is assigned a part of total work and not the whole task. Due to this division of work into smaller units and repetitive performance leads to specialisation.

2. Optimum Utilisation of resources : - The proper assignment of jobs avoids overlapping / duplication of work, This helps in preventing confusion and minimising the wastage of resources and efforts.

3. Clarity in working Relationship :- It helps in creating well defined jobs and also clarifying the limits of authority and responsibility of each job.

4. Adaptation of change :- It allows a business enterprise to adapt itself according to changes in the business environment. Organisational structures can be suitably modified according to changes.

5. Effective Administration : It provides a clear description of jobs and related duties which helps to avoid confusion and duplication clarity in working relationships enables proper execution of work which results in effective administration.

Meaning of Organisational Structure :-

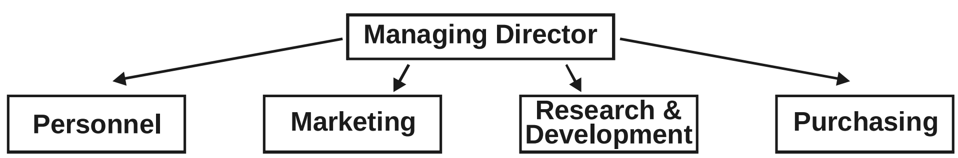
It seeks to establish relations among all the persons working in the organisation. Under the organisational structure various posts are created to perform different activities for the attainment of the objectives of the enterprise. Relations among persons working on different posts are determined. The structure provides a basis or framework for managers and other employees for performing their functions.

* The organisation structure can be defined as the frame work within which managerial and operating tasks are performed.

Relation between 'Span of Management' and 'Organisation structure' - 'Span of mangement' refers to the number of subordinates that can be effectively managed by a superior. The Span of management to a large extent gives shape to the organisation structure. This determines the levels of management in the structure.

Types of Organisation Structures :-

I. Functional Structure :- In functional structure activities are grouped and departments are created on the basis of specific functions to be performed. For example all the jobs related to production are grouped under production department - Sales to sales department etc.



Advantages :

1. Specialisation - Better division of labour takes place which results in specialisation of functions and its consequent benefits.
2. Coordination is established :- All the persons working within a department are specialist of their respective jobs. It makes the co-ordination easier at department level.
3. Helps in increasing managerial efficiency : Managers of one department are performing same type of function again and again which makes them specialised and improves their efficiency.
4. Minimises cost - It leads to minimum duplication of effort which results in economics of scale and thus lowers cost.

Disadvantages

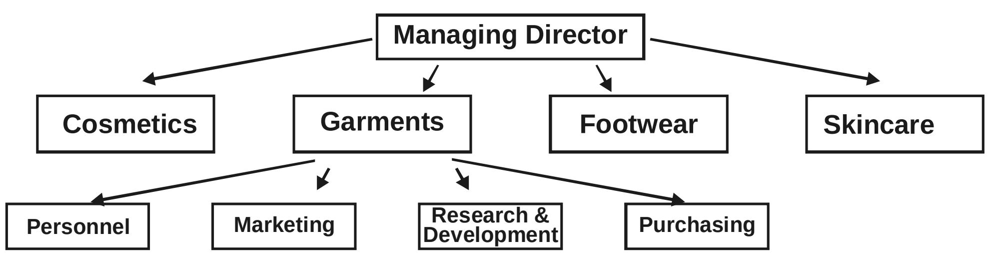
1. Ignorance of organisational objectives - Each departmental head works according to his own wishes. They always give more weight to their departmental objectives. Hence overall organisation objectives suffer.
2. Difficulty in Inter-departmental Coordination - All departmental heads to work as per their own wishes which results coordination within the department but it makes inter-departmental coordination difficult.
3. Hurdle in complete development - because each employee specialises only in a small part of the whole job.

Suitability :-

1. Where the size of business unit is large.
2. Where specialisation is required.
3. Where there is mainly only one product in sold.

II. DIVISIONAL ORGANISATION STRUCTURE :

Dividing the whole enterprise according to the major products to be manufactured (like metal, plastic, cosmetics etc) in known as divisional organisation structure.



Advantages :-

1. Quick decision making :- Divisional manager can take any decision regarding his division independently which makes decisons quick and effective.
2. Divisional results can be Assessed : - Divisional results (profit / loss) can be assessed easily. On this basis unprofitable division can be closed.
3. Growth and Expansion :- It facilities growth and expansion as new divisions can be added without disturbing existing departments.

Disadvantages :-

1. Conflicts - among different divisions on allocation of resources
2. Duplicity of Functions : - Entire set of functions is required for all divisions. It gives rise to duplicity of efforts among divisions.
3. Selfish Attitude :- Every division tries to display better performance even sometimes at the cost of other divisions. This shows their selfish attitude.

Suitablity :-

1. Where the number of main products are more than one.
2. Where the size of the concern is large enough.

   Formal Organisation - This structure is designed by the management to achieve organisational goals in which the responsibilities, authority and mutual relationships among all the employees working in an enterprise are clearly defined.

Features :-

1. It in deliberately created
2. It is based on rules and procedures.
3. It is impersonal - Does not take into consideration emotional aspect.
4. It is based on Division or work.
5. It is more stable.

Advantages :-

1. Easier to fix responsibility since mutual relationships are clearly defined.
2. No overlapping of work - because things move according to a definite plan.
3. Unity of command through an established chian of commands.
4. Easy to achieve objectives - because of coordination and optimum use of human and material resources.
5. Stability in the organisation - because behaviour of employees can be fairly predicted since there are specific rules to guide them.

Disadvantages :

1. The work is based by rules which caues unnecessary delay.
2. Lack of initiatives - because the employees have to do what they are told

to do and they have no opportunity of thinking.

3. Limited in scope - It is difficult to understand all human relationships in an enterprice as it places more emphasis on structure and work.

Informal Organisation :

An informal organisation is that organisation which is not established delibeately but comes into existence because of common interests, tastes and religious and communal relations.

Features :

1. It orginates from within the formal organisation as a result of personal interction among employees.
2. It has no written rules and procedures.
3. It does not have fixed lins of communication.
4. It is not deliberately created by the management.
5. It is personal - means the feelings of individuals are kept in mind.

Advantage

1. Speed : Prescribed lines of communication are not followed which leads to faster spread of information.
2. Fulflment of social needs - enhances job satisfaction which gives them a sense of belongingness in the organisation.
3. Quick solution of the problems - because the subordinates can speak out their mind before the officers which helps the officers to understand the problems of their subordinates.

Disadvantages :-

1. It creates rumours :- All the persons in an informal organisation talk carelessly and sometimes a wrong thing in cenveyed to the other person.
2. It resists change and lays stress on adopting the old techniques.
3. Priority to group Interests - Pressurises members to confirm to group expectations.

Difference between Formal & Informal organisation

	Basis	Formal organisation	Informal organisation
1.	Meaning	If refers to the structure of well defined authority and and responsibility.	It refers to the network of social relationships which develops automatically
2.	Nature	Rigid	Flexible
3.	Authority	Arises by virtue of positions in management	Arises out to personal qualities.
4.	Adherence to rules	Violation of rules may lead to penalties and punishments	No such punishments.
5.	Flow of communi-cation	Takes place through the scalar chain	Not through a planned route It can take place in any direction.

Delegation of Authority

Meaning - It means the granting of authority to subordinates to operate within the prescribed limits. The manager who delegates authority holds his subordinates responsible for proper performance of the assigned tasks. To make sure the his subordinates perform all the work effecively and efficiently in expected manner the manager creates accountability.

Elements of Delegation :-

1. Authority - The power of taking decisions in order to guide the activities of others. Authority in that power which influences the conduct of others.
2. Responsibility : In the obligation of a subordinate to properly perform the assigned duty. When a superior issues orders it becomes the responsibility of the subordinate to carry it out.
3. Accountability - When a superior assigns some work to a subordinate, he is answerable to his superior for its success or failure.

   Principle of Absoluteness of Accountability - Authority can be delegates but responsibility / Accountability cannot be delegated by a manager. The authority granted to a subordinate can be taken back and re-delegated to another person. The manager cannot escape from the responsibility for any default or mistake on the part of his subordinates.

Importance of Delegation of Authority

1. Reduction of Executive work load - It reduces the work load of officers. They can thus utilise their time in more important and creative works instead of works of daily routine.
2. Employee development - Employees get more opportunities to utilise their talent which allows them to develop those skills which will enable them to perform complex tasks.
3. Quick and better decision are possible - The subordinate are granted sufficient authority so they need not to go to their superiors for taking decisions concerning the routine matters.
4. High Morale of subordinates - Because of delegation of authority to the subordinates they get an opportunity to display their efficiency and capacity.
5. Better coordination - The elements of delegation - authority, responsibility and accountability help to define the power, duties and answerability related to various job positions which results in developing and maintaining effective co-ordination.

Difference - Authority, Resposibility and Accountability

Basis	**Authority**	**Responsibility**	**Accountability**
1. Meaning	Right to command	Obligation to perform an assigned task	Answerability for out come of the assigned task.
2. Origin	Arises from formal position	Arises from delegated authority	Arises from responsibility.
3. Flow	Downward - from Superior to Subordinate	Upword - from Subordinate to Superior	Upword - from Subordinate to Superior
4. Withdrawl	Can be withdrawn anytime by giving notice	Cannot be withdrawn once created	Cannot be withdrawn once created

Decertralisation :-

Meaning - It means to delegate authority to all levels of management for taking decisions. Under decentealisation all the authority except the one which is absolutely necessary for the superiors to hold is given to the subordinates permanently. Under decentralisation the number of centres for taking decisions increases because the managers belonging to the middle and lower level have the authority to take important decisions.

Centralisation and Decentralisation - represents the pattern of authority among managers at different levels. Centralisation of authority means concentrations of power of decision making in a few hands. In such an organisation very little authority is delegated to managers at middle and lower levels. No organisation can be completely centralised or decentralised. They exist together and there in a need for a balance between the two. As the organisation grows in size there is tendency to move towards decentralisation. Thus every organisation characterised by both.

Importance of Decentralisation :-

1. Develops initiative amongst subordinates - It helps to promote confidence because the subordinates are given freedom to take their own decisions.
2. Quickes and better decisions - The burden of managerial decisions does not lie on a few individuals but get divided among various persons which helps them to take better and quick decisions.
3. Relieves the top Executives from excess workload - The daily managerial works all assigned to the subordinates which leaves enough time with the superiors which they can utilise in developing new strategies.
4. Managerial Development - It means giving authority to the subordinates upto the lower level to take decisions regarding their work. In this way the opportunity to take decisions helps in the development of the organisation.
5. Better Control - It makes it possible to evaluate performance at each level which results in complete control over all the activities.

Difference between - Delegation & Decentralisation

	Basis	Delegation	Decentralisation
1.	Nature	It is a compulsory act	It is an optional policy
2.	Freedom of action	Less freedom to take decisions due to more control by the superiors	More freedom of action due to less control by the top management.
3.	Status	It is a process of sharing tasks and authority	It is the result of policy decisions taken by top management.
4.	Scope	Narrow - as it is contined to a superior and his immediate subordinate.	Wide - It inudues extensions of delegation to the lowest of management.
5.	Purpose	To reduce the burden of the manager	To increase the role and autonomy of lower level management.

QUESTIONS :-

1 marks

1. How ‘effective administration in possible through organising?
2. Name the function of management which coordinates the physical, financial and human resources and establishes productive relations among them for achievement of specific goals.
3. Name the organisation which is directed by grop norms.
4. What is organisation chart?
5. What is meant by organisational structure?
6. “Difficulty in inter-departmental coordination” is one of the limitations of which organisation structure.
7. What is meant by Authority?
8. What is the basis of delegation of authority.
9. Why ‘effective management’ is possible through delegatin of authority.

3 marks

10. What is functional organisation structure? Write two advantages of this structure.
11. How accountability related to authority? Explain.
12. Why is it necessary to delegate authority? Give three reasons.
13. Write three characteristics of decentralisation.
14. State three steps in the process of organisaing.

4/5 marks

15. Explain briefly any four features of formal organisation.
16. The employees of Sachin Ltd. a software company, have formed a Dramatic group for their recreation, Name the type of organisation and state its three features.
17. Distingish between 'Formal' and 'Informal' organisation (any four points)
18. "A manager is of the view that he is not responsible for the quality of work that he has delegated to his subordinates". Do you agree?
19. Delegation of authority provides the means where by a manager multiples himself "Commnet.

6 marks

20. Explain the importance of oranising as a function of management.
21. "Formal organisation is considered better than informal organisation". Do you agree with this statement? Give reasons.
22. What is meant by "Divisional structure" of an organisation? Explan any two advantages and two limitations of it.
23. Decentralisation is an optional policy. Explain why an organisation would choose to be decentralised.
24. Explain the meaning and process of delegation of authority.

Unit

6

Staffing

Meaning

Staffing means putting people to jobs. It begains with human resources planning and includes different other functions like recruitment, selection training, development, promotion and performance appraisal of work force.

Need and Importance of Staffing :-

1. Obtaining Competent personal : Proper staffing helps in discovering and obtaining competent personal for various jobs.
2. Higher performance : Proper staffing ensures higher performance by putting right person on the right job.
3. Continuous growth : Proper staffing ensures continous survival and growth of the enterprise.
4. Optimum utilisation of human resources :- it prevents under - utilisation of personnel and high labour cost.
5. Improves job satisfaction : It improves job satisfaction and morale of employee.

-: Process of Staffying :-

Estimating manpower requirements
↓
Recruitment
↓
Selecting from among the applications
↓
Placement and Orientation
↓
Training and Development

Components of Staffing

(A) Recruitment (B) Selection (C) Training.

(A) Recruitment : Recruitment may be defined as the process of searching for prospective employee and stimulating them to apply for job in the Organisation.

Sources of Recruitment :-

(A) Internals Source (B) External Sources

Internal Sources of Recruitment :- Internal sources refer to inviting candidates from within the Organisation. There are two important sources of internal recruitment.

1. Transfer :- It involves the shifting of an employee from one job of another, from one department to another or from one shift to another shift.
2. Promotions : It refers to shifting an employee to a higer position carrying higher responsibilities, prestige, facilities.

Advantages of Internal Sources Recruitment :-

(1) Employees are motivated to improve their performance.

(2) Internal recruitment also simplifies the process of selection & placement.

(3) No wastage of time on the employee training and development.

(4) Filling of jobs internally is cheaper.

Limitation of Internal Sources :-

(1) The scope for induction of fresh talent is reduced.

(2) The employee may become lethargic.

(3) The spirit of competition among the employees may be hampered.

(4) Frequent transfers of employees may often reduce the productivity of the Organisation.

External Sources of Recruitment :-

1. Direct Recruitment :- Under the direct Recruitment a notice is placed on the notice board of the enterprise specifying the details of the job available.
2. Casual callers : Many reputed business org. keep a data base of unsolicited applicants in their office. There list can be use for Recruitment.
3. Advertisement : - Advertisement in newspaper is generally used when a wider choice is required.
4. Employment Exchange : Employment exchange regarding as a good source of Recruitment.
5. Compus recruitment and labour contractors can be used for the purpose.

Merit of External Sources :-

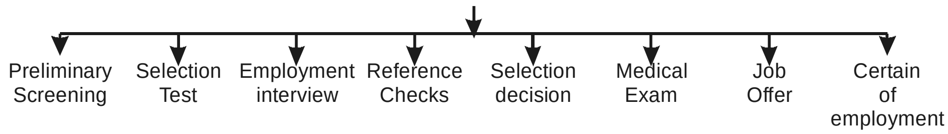
1. Qualified Personnel : By using external source of recruitment the management can attract qualified and trained people to apply for the vacant job in the org.
2. Wider Choice : The management has a winder choice selecting the people for employment.
3. Fresh Talent : It provide wider choice and brings new blood in the org.
4. Competitive Spirit : If a company taps external sources, the staff will have to compete with the outsiders.

Limitations of External Sources of Recruitment :-

1. Dissatisfaction among existing employee :- Recruitment from outside may causes dissatisfaction among the employes. They may feel that their chances of promotion are reduced.
2. Costly process : A lot of money has to be spent on advertisement therefore this is costly process.
3. Lengthy Process : It takes more time than other process.

(B) Selection : Selection is the process of choosing from among the candidates from within the org. or from the outside, the most suitable person from the current position or for the future position.

Process of Selection



(C) Training : Training is the act of increasing the knowledge and technical skills of an employee for doing a particular job efficiently.

Benefits to the Organisation :-

1. It enhances employee productivity and quality.
2. Training increases employee moral.
3. Employee got new Tech. knowledge.
4. Efficient uses of machine.

Benefits to the Employee :-

1. Improved skills and knowledge of employee
2. Increased performance by the individual help him to earn more.
3. Less prone accidents.
4. Training increases the satisfaction and morale of employee.

Training Method

(A) On the Job Method :- It refers to the method that are applied to the work place, while the employee is actually working. "It means learning while doing".

1. Apprenticeship Programme Training :- A master worker or a trainer is appointed who guides the worker regarding the skill of job.
2. Coaching : In this method, the superior guides and instructs the trainee as a a coach.
3. Job Rotation : In this method employee transfer to other department or other shift.

(B) Off the Job Method : There methods are used away from the work place. "It means learning before doing.

1. Class room lectures : The lecture approach is well adapted to convey specific information. The use of audio-visuals can after make a formal classroom.
2. Films : They can provide information to the employee.

3. Case study : Trainee study the cases to determine problems, analyses causes.
4. Computer modelling - Training provide to the employee by the help of computer.

One Marks Questions :-

1. Explain the meaning of 'Staffing'.
2. Define 'Placement'.
3. Why is selection considered to be a negative Process.
4. Give one advantage of Job Rotation training.
5. State one objective of Preliminary screening.
6. What is interview?
7. What do you mean by on the Job Training?
8. What do you mean by Recruitment?

3 or 4 Marks Questions :-

9. Explain any three types of selection Test.
10. Explain the meaning of selection and training.
11. "Internal sources of Recruitment are better than external sourcs of Recruitment". Give reasons in support of your answer.
12. Write the difference between training and Development.

5 - 6 Marks Questions :-

13. Explain the importance of Staffing as the reference of Management function.
14. Describe briefly the steps involved in the process of staffing.
15. What do you mean by Training? What is their objective?
16. Explain in brief merits and limitation of external sources of recruitment.
17. "The process of selection starts where the process of recruitment ends." In the light of this statement, explain the difference between recruitment and selection.

18. Explain the process of Selection.
19. Explain off the Job Training Method.
20. Explain the Advantages and Limitation of Internal Sources of Recruitment.

Unit

7

Directing

Meaning

Directing as a function of managment refers to the process of instructing, guiding counselling, motivating and leading people in the organisation to achieve its objectives. It does not mean only instructions but also include supervising the employess when they are performing the job, motivating them to perform more efficiently and leadning them towards the achievement or organisational goal.

Features :

1. Directing initiate action : The other functions of management prepare a setting for action, but directing initiates action in the organisation.
2. Directing in a pervasive function or management :- Every manager from top executive to supervisor performs the function of directing.
3. Directing is a continous process of supervision, communication, leadership and motivation, It takes place throughout the life of the organisation.
4. Directing flows from top to bottom :- It is first initiated at the top level and flows to the bottom through organisational hieraechy.

Importance :

1. Initiates Action : It helps to initiate action by people in the organisation towards attainment of desired objectives, The employees start working only when they get instructions and directions from their superiors. It is the directing function which starts actual work to convert plans into results.
2. Integrats Employee's Efforts :- All the activities of the oranisation are inter-related so it in necessary to coordinate all the activities. It integrates the activities of subordinates by supervision, guidance and counselling.
3. Means of motivation - It motivates the subordinates to work efficiently and to contribute their maximum efforts towards the achievement of organisational goals.
4. Facilitates change :- Employees often resist changes due to fear of adverse effects on their employment and promotion. Directing facilitate adjustment in the organisation to cope with changes in the environment.
5. Stability and Balance in the organisation :- It helps to achieve balance between individual interests of employees and organisational interests.

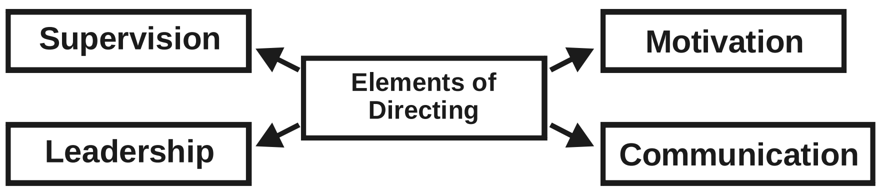
Principles of Directing :-

1. Maximum Individual Contribution : -Directing techniques must help every individual in the organisation to contribute his maximum potential for achievement of organisational objectives.
2. Harmoney of objectives - The objectives of individual and organisation must be in harmony with each other. But good directing should provide narmony by convincing the employees that organisational objectives are in their own interest.
3. Unity of Command :- An individual or subordinate in the organisation should receive instructions from one superior only otherwise it creates confusion conflict and disorder in the organisation.
4. Appropriateness of Direction Technique : According to this principle the technique like motivation, supervision, communication and leadership should be appropriate - according to the attitude and need of the employees.
5. Managerial Communication : The two way flow of information is the most effective means of securing cooperation of the subordinates because it provides them an opportunity to express their feelings.
6. Use of Informal organisation :- An informal organisation exist within formal organisation structure. So managers must make use of informal structure.

So managers must make use of informal structure also for getting correct and real feed back.

7. Leadership - A manager by becoming a good leader can make direction effective with the trust and contidence of his subordinates.

Elements of Direction



1. Supervision - It means observing the subordinates at work to see that they are working in according with plans and to help them in solving their problems. The important thing in supervision is it involves face to face contact between superior and subordinates.

Importance of Supervision / Role of a Supervisor

1. Link between workers and management because the supervisor explains management policies to worker and brings workers problems to the notice of the management.
2. Ensures issuing Instructions : To make sure that the instructions are communication to each and every employee.
3. Facilities Control : - Control means match between actual and planned output. It ensures checking on the methods in use and progress of work according to planned schedule.
4. Maintences of Discipline : The strict supervision and guidance of supervisor encourages the employees and workers to be more disciplinede in the activities.
5. Feedback - The supervisors are directly dealing with the subordinates, As a result feedback in the form of suggestions grievances keeps coming to the management.
6. Improved Motivation - A supervisor with good leadership qualities can build up high morale among workers.

7. Optimum utilisation of resources - All the activities are under the observation of supervisor so less wastages and optimum unilisation of resources is possible.

Motivations :-

Meaning :- It is the process of stimulating people to act to their best abiity to accomplish desired goals. It depends upon satisfying needs of people.

Features :

1. Psychological phonamenon - It is personal and internal feelings which arises from the needs and wants of a person.
2. Goal Directed Behaviour - It includes people to behave in such a manner so that they can achieve their goal.
3. Motivation can be either positive or Negative - Positive motivation means inspiring people to work better and appreciating a work that is well done. Negative motivation means forcing people to work by threatening or punishing them.
4. Complex Process :- It is a complex and difficult process. Individuals differ in their needs and wants and moreover human needs change from time to time.

Motivation Process -

↓

It is based on human needs.

↓

Unsatisfied Needs

↓

Tension

↓

Drives

↓

Search Behaviour

↓

Satisfied Need

↓

Reduction of Tension

An Unsatisfied needs of an individual creates tension which stimulates his or her drives. These drives generate a search behaviour to satisfy such need. If such need is satisfied, the individual is relieved of tension.

Importance -

1. Achievement of Organisational Goal : Motivation puts human resources into action by satisfying their needs through appreapriate rewards motivated

employees cooperated and contribute their maximum towards the organisational goals.

2. Higher Efficiency of Employees - Depends upon their abilities and willingness to work hard. It bridges the gap between he ability to work and willingness to work and willingness always improves efficiency.
3. Reduction in resistance to change :- It helps to overcome resistance to change.
4. Stability in workforce - It brings confidence in employees and also improve their loyality and commitment towards the organisation. As a result the rates of labour absenteeism and labour turnover all reduced.
5. Optimum Utilisation of Resources - The motivated workers would handle machines and materials properly. This would ensure optimum utilisation of resources and reduction of wastage.

Financial and Non-Financial Incentives - Incentive means all measures which are used to motivate people to improve performance.

KINDS OF INCENTIVES

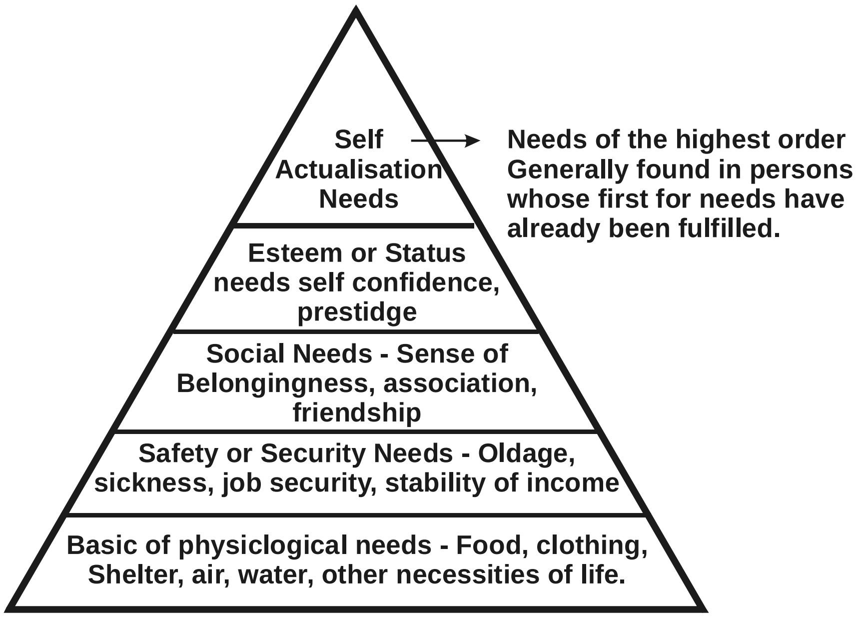
Financial

- Profit sharing
- Pay and Allouances
- Bonus
- Retirement Benefits
- Perquistes

Non-Financial

- Status
- Career Advancement
- Opportunity
- Job Security
- Employee Recognition Programmes.

Maslow's Need Hierarchy Theory of Motivation :- Maslow's Theory focuses on the needs as the basis for motivation



Leadership -

Leadership is the activity of influencing people to strive willingly for grap objectives.

Features :-

1. It indicates ability of an individual to influence others.
2. It tries to bring change in the behaviour of others.
3. It is exercised to achieve common goals of the organisation.
4. It is a continous process.

Importance :-

1. Help in guiding and inspiring employees.
2. Creates confidence - by recognising the Quality and capabilities of individuals.
3. Handles conflic effectively and does not allow adverse effects resulting from the conflics.
4. Provides Training to Subordinates .

Qualities of a Good Leader -

1. Physical Features - Health and endurance help a leader to work hard which inspires others also to work with same spirit.
2. Knowledge - A leader must be able to examine every problem in the right direction.
3. Integrity - He should be a model to others regarding his ethics and values.
4. Initiative - He should not wait for opportunities come to his way rather he should grab the opportunities.
5. Motivation skills - To under the needs of people and motivate them through satisfying their needs.

Communication - is transfer of information from the sender to the receiver with the information being understood by the receiver.

Elements of Communication Process -

1. Sender - Who conveys his thoughts or ideas
2. Message - Ideas, feelings, suggestions, order etc.
3. Encoding - Converting the message into communication symbols such as words / pictures etc.
4. Media - Path/ Channel through which encoded message is transmitted to receiver e.g., face to face phone call, internet etc.
5. Decoding - Converting encoded symbols of the sender.
6. Receiver - Who receivers communication of the sender.
7. Feed back - All those action of receiver indicating that he has received and understood message of sender.
8. Noise - Some obstruction or hindrance to communication like poor telephone connection, in altertive receiver.

Importance of Communication

1. Facilitates Coordination - between interrelated departments and sections thus creating a unity of purpose and action.
2. Provides data necessary for decision makings - When information is effectively and efficiently communicated to management.
3. Increases Managerial Efficiency - By Conveying the goals, targets, instructions.
4. Promotes cooperation and Industrial Peace - The two way communication

promotes cooperation and mutual understanding between the management and workers.

5. Establishes effective leadership - Effective communication helps to influence subordinates - while influencing leader should posses good communication skills.

Formal Communication - refer to official communication which takes place following the chain of command classification of formal communication -

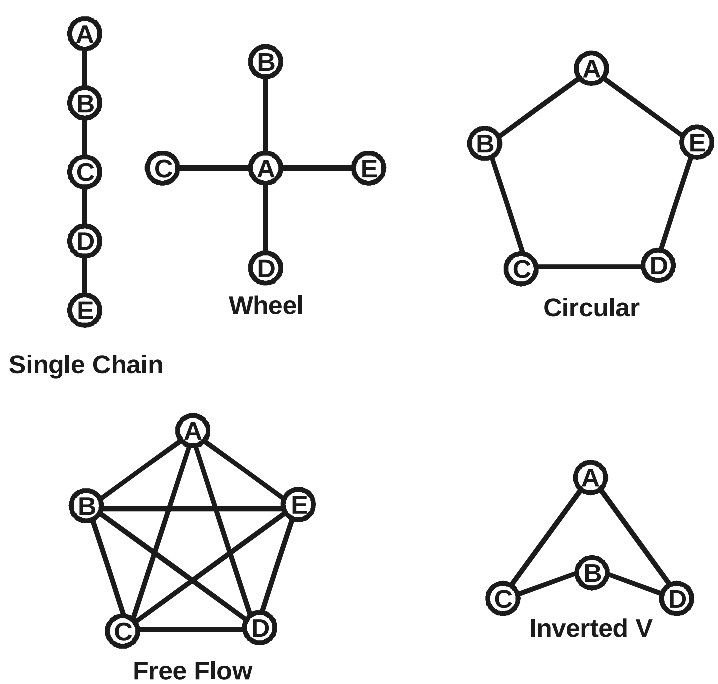
1. Vertical communication - Flows vertically i.e., upwords or downwards through formal channels

   i) Downward Communication - Higher to lower level like plans, policies, rules etc.

   ii) Upward Communication - Subordinate to superior like suggestions, grievances, reports etc.

2. Horizontal / lateral Communication - between persons holding positions at the same level of ther organisation e.g., production manager may contact marketing manager about product design, quality etc.

   Communication Net works of a Formal Communication.



Informal Communication : Communication that takes place without following the formal lines of communication is said to be internal communication. There is no fixed direction or path for the flow of information.

Grapevine or Informal Communication Networks

1. Single Strand - Each person communicates with the other in sequence.
2. Gossip - Each person communicates with all on non-selective basis.
3. Probability - The individual communicates randomly with other individual.
4. Cluster - the individual communicates with only those people when he trusts.

Reference between Formal & Informal Communication

	Basis	**Formal Communication**	**Internal Communication**
1.	Meaning	within the official chain of command	Between individuals and groups which are not officially recognised.
2.	Channel	Through a definite path	No definite path
3.	Speed	Slow - because all information has to pass through an established chain of command	Very fast - Cuts across all the official channels.
4.	Nature	More rigid and cannot be modified	Flexible and varies from individual to individual.
5.	Expression	It is mostly expressed in written form.	It is mostly tends to be oral

Barriers to Effective Communication -

1. Semantic Barriers - Concerned with problems and obstructions in the process of encoding or decoding of message into words or impresions semantic barriers are as follows.

1. Bodly expressed message
2. Symbols with differente meanings.
3. Faulty Translations.
4. Unclarified assumptions - Subject to different interpretations.
5. Technical Targon - Technical words may not be understood by the workers.

Psychological Barriers -

The state of mind of both sender and receiver affect the process of communication. Psychological barriers are as follows.

1 Pre mature Evaluation - Judgement before listening.

2. Lack of altertion.
3. Loss by transmission and Poor Retention - When oral communication passes through various levels - destroy the structure of the message.
4. Distrust - If the parties do not believe each other.

Organisational Barriers :-

Factor related to organisation structure.

1. Organisational Policy
2. Rules and regulations.
3. Status.
4. Complexity in organisation structure.

Personal Barriers - of superiors and subordinates

1. Fear of challenge to authority.
2. Lack of confidence of superior on his subordinates.
3. Unwillingnessto communicate.
4. Lack of Proper incentives.

Improving Communication Effectiveness.

1. Clarify the ideas before communication.
2. Communicate according to the needs of receiver.
3. Consult others before communicating.
4. Be aware of language, tone and content of message.
5. Ensure proper feedback.
6. Follow up communication.
7. Be a good listner.

Questions

1 Mark

1. Which function of management is known as ‘Management-in-action’?

2. How supervision is helpful in maintaining discipline?
3. What is Economic Safety?
4. What is meant by 'Job Enrichment' as a type of non-monetary incentives?
5. What is meant by 'Leadership'?
6. What is meant by 'Integrity'?
7. 'A leader does not wait for opportunities but creates their'. This statement is related to which quality of a good leader?
8. What is meant by 'NOISE' in communication process?
9. What is meant by 'Feedback' in communication process?
10. What is meant by 'Grapevine'?

3 Marks Questions

11. 'Direction is the least important function of management'. Do you agree with this statement? Give any two reasons in support of your answer.
12. 'The post of supervisor should be abolished in the hierarchy of Managers'. Do you agree? Give any three reasons in support of your answers.
13. Explain how supervision facilities control?
14. Motivation can be either positive or negative. How?
15. Motivation helps to reduce absentesion in the organisation. Clarify.

4/5 Marks Questions

16. Explain any four principles of directing.
17. State any four characteristics of motivation.
18. Clarify 'Job Enrichment' and 'Job Securing' as non-financial Motivators.
19. Explain the importance of leadership as the directing functions of management.
20. Explain any four factors which are likely to disrupt effective communication.

6 Marks Questions

21. 'Supervision is an important element of directing function'. Explain any four reasons in support of the above statement.
22. Explain different financial and non-financial incentives used to motivate

employees of a company.

23. 'Effectiveness of Leadership depends on the qualities of the leader'. Explain any four such qualities of a leader.
24. In an organization there are many leaders. But a good leader must be a distinguished one. Suggest any four qualities that a good leader must possess.
25. Explain the meaning and importance of communication process.

Unit

8

Controlling

Meaning

Controlling means ensuring that activities in an organisation are performed as per the plans. Controlling also ensures that an organisation's resources are being used effectively and efficiently for the achievement of predetermined goals.

The controlling functions find out how for actual performance deviates from standards, analyses the causes of sch deviations and attempts to take corrective actions based on the same.

Importance of Controlling :-

1. Controlling helps in achieving organisational goals :- The controlling function measures progress to words the organisational goals and brings to light indicates corrective action.
2. Judging accuracy of standards : A good control system enables management to verify whether the standards set the accurate and objective.
3. Making efficient use to resources - By the process of control, a manager

seeks to reduces wastage of resources.

4. Improving employee motivation : A good control system ensures that employes know well in do.
5. Facilitating Coordination in action : In controlling each department and employee is governed by predetermind standards which are well coordinated with one another.
6. Ensuring order and discipline :- Controlling creats an atmosphere of order and discipline in the organisation. The employees by keeping a close check on their activities.

Limitations of Controlling

1. Little Control on external factores : Generally on exterprise cannot control external factors such as government policies, technological changes, competitions etc.
2. Resistance from employee - Control is often resisted by employees. They see it as a restriction on their freedom.
3. Costly affair : Control is a costly affair as it involves a lot of expenditure time and efforts.
4. Difficulty insetting quantitative standards :- Control system loses some of its effectiveness. When standards cannot be defined in quantitative terms.

Relationship between Plannig and Controlling :

Planning and controlling are interrelated and infact reinforce each other in the sense that :-

(A) Planning based on facts makes controlling easier and effective.

(B) Controlling improves future planning by providing in formation derived from past experience.

Controlling Process :

1. Setting performance Standards :- Standards are the criteria against which actual performance would be measured. Thus standards serve as bence marks.
2. Measurement of Actual performance : Performance should be measured in an objective and reliable be measured in an objective and reliable manner. There include personal observation, sample checking.

3. Comparing Actual performance with standard : This steps involves comparison of actual performance with the standard. Such comparison will reveal the deviation between actual and desired.

4. Analysing Deviations - The deviations from the standards are assessed and analysed to identify the causes of deviations.

5. Taking Corrective Action :- The final step in the controlling process is taking corrective action. No corrective action is required when the deviations are with in the acceptable limits.

Techniques of Managerial Control

Traditional Control Techniques

- Personal Observation
- Statistical Report
- Break-even Analysis
- Budgetary Control

Modern Control Technic

- Return On investment
- Ratio Analysis
- Responsibility Accounti
- Management Audit
- PERT and CPM
- Management informatic

Traditional Techniques :-

Traditional techniques are those which have been used by the companies for a long time and are still being used.

Modern Techniques :-

Modern techniques of controlling are those which are a recent origin. These techniques provide a refreshingly new thinking on the way in which various aspects of an organisation can be controlled.

Budgetary Control : is a technique of management control in which all operation are planned in adavance in the form of budget & actual result are compared with budgetary standard.

Types of Budget (i) Sales Budget, Production Budget etc.

One Mark Question :-

1. Explain the meaning of controlling.
2. Write the first step of controlling process.
3. Mention any one features of good controlling system.
4. What are the two types of deviations.
5. Which principle of management control is based one the belief an attempt to control everything results in controlling nothing.

3-4 Marks Questions

6. 'Planning is looking ahead and controlling is looking back.' Explain.
7. 'Controlling function of management is a pervasive function'. Explain.
8. What is meant by Budgetary control?
9. "Corrective action is essence of control'. Explain.

5-6 Mark Questions :

10. Explain the various steps involved in the process of control.
11. Explain the importance of controlling is an organisation.
12. What is break-even-analysis? How it is an effective technique of control.
13. 'Planning and controlling are mutually interrelated and inter-dependent activities. How. Explain.
14. What are the advantages and disadvantages of Budgetary Control?
15. Explain the limitations of controlling?
16. Explain any two Traditional techniques of controlling.
17. Explain any two Modern techniques of controlling.

Chapter

9

Financial Management

Introduction :-

Money required for carrying out business activities is called business finance. Finance is needed to establish a business, to run it, to modernise, it to expand or diversify it.

Finanicial management is the activity concerned with the planning, raising controlling and administering of funds used in the business. It is concerned with optimal procurement as well as usuage of finance. It aims at ensuring availability of enough funds whenever required as well as avoiding idle finance.

The Main Objective of Financial Management : is to maximise shareholder's wealth, for which achievement of optimum capital structure and proper utilisation of funds is a must.

Every company is required to take three main financial decisions which are as follow

1. **Investment Decision** :-

   It relates to how the firm's funds are invested in different assets. Investment decision can be long-term or short term. A long term investment decision is called capital budgeting decisions which involve huge amounts of investments and are irreversible except at a huge cost while short term investment decisions are called working capital decisions which affect day to day working of a business.

2. **Financing Decison :-**

   It relates to the amount of fincance to be raised from various long term sources. The main sources of funds are owner's funds i.e. equity / share holder's funds and the borrowed funds i.e. Debts. Borrowed funds have to be repaid at a fixed time and thus some amount of financial risk (i.e. risk of default on payment) is there in debt financing. Morever interest on borrowed funds have to be paid regardless of whether or not a firm has made a profit. On the other hand shareholder funds involve no commitment regarding payment of returns or repayment of capital. A firm mixes both debt and equity in making financing decisions.

3. **Dividend Decision :-**

   Dividend refers to that part of the profit which is distributed to shareholders. A company is required to decide how much of the profit earned by it should be distributed among shareholders and how much should be retained. The decision regarding dividend should be taken keeping in view the overall objective of maximising shareholder's wealth.

Financial Planning :-

The process of estimating the fund requirement of a business and specifying the sources of funds is called financial planning. It ensure that enough funds are available at right time so that a firm could honour its commitments and carry out, its plans.

Importance of Financial Planning

1. To ensure availbility of adequate funds at right time.
2. To see that the firm does not raise funds unnecessarily.

Factors affecting Investment Decisions / Capital Budgeting decisions

1. Cash flows of the project : The series of cash receipts and payments over the life of an investment proposal should be considered and analysed for selecting the best proposal.
2. Rate of Return : The expected returns from each proposal and risk involved in them should be taken into account to select the best proposal.
3. Investment Criteria Involved : The various investment proposals are evaluated on the basis of capital budgeting techniques. Which involve calculation regarding investment amount, interest rate, cash flows, rate of return etc.

Factors Affecting Financing Decision

1. Cost :- The cost of raising funds from different sources are different. The cheapset source should be selected.
2. Risk :- The risk associated with different sources is different, More risk is associated with borrowed funds as compared to owner's fund as interest is paid on it and it is rapaid also.
3. Floatation Cost :- The cost involved in issuing securities such as broker's commission, underwriters fees, expenses on prospectus etc is called floatation cost. Higher the floatation cost, less attractive is the source of finance.
4. Cash flow position of the business :- In case the cash flow position of a company is good enough then it can easily use borrowed funds.
5. Control Considerations : In case the existing shareholders want to retain the complete control of business then finance can be raised through borrowed funds but when they are ready for dilution of control over business, equity can be used for raising finance.
6. State of Capital Markets : - During boom, finance can easily be raised by issuing shares but during depression period, raising finance by means of debt is easy.

Factors affecting Dividend Decision :

1. Earnings : - Company having high and stable earning could declare high rate of dividends are paid out of current and past earnings.

2. Stability od Dividends : Companies generally follow the policy of stable dividend. The dividend per share is not altered/changed in case earning changes by small proportion or increase in earning is temporary in nature.

3. Growth Prospects : In cse there are growth prospects for the company in the near future them it will retain its earning and thus, no or less dividend will be declared.

4. Cash Flow Positions : Dividends involve an outflow of cash and thus, availability of adequate cash is foremost requirement for declaration of dividends.

5. Preference of Shareholders : While deciding about divident the preference of shareholders is also taken into account. In case shareholders desire for dividend then company may go for declaring the same.

6. Taxation Policy : A company is required to pay tax on dividend declared by it. If tax on dividend is higher, company will prefer to pay less by way of dividends whereas if tax rates are lower then more dividends can be declared by the company.

Capital Structure

Capital structure refers to the mix between owner's funds and borrowed funds. It will be said to be optimal when the proportion of debt and equity is such that it results in an increase in the value of the equity share.

The proportion of debt in the overall capital of a firm is called financial Leverage or capital gearing. When the proportion of debt in the total capital is high then the firm will be called highly levered firm but when the proportion of debts in the total capital is less then the firm will be called low levered firm.

Factors affecting Capital Structure.

1. Cash flow position : In case a company has strong cash flow position then it may raise finance by issuing debts.

2. Interest Coverage Ratio : If refers to the number of times earning before interest and taxes of a company covers the interest obligation. High Interest coverage ratio indicate that company can have more of borrowed funds.

3. Return on Investment : If return on investment is higher than the rate of interest on debt then it will be beneficial for a firm to raise finance through borrowed funds.

4. Floatation Cost : The cost involved in issuing securities such as brokers comission, under writers fees, cost of prospectus etc is called floatation cost. While selecting the source of finance floatation cost should be taken into account.

5. Control : When existing shareholders are ready to dilute their control over the firm then new equity shares can be issued for raising finance but in reverse sitation debts should be used.

6. Tax Rate : Interest on debt is allowed as a deduction, thus in case of high tax rate debts are prefered over equity but in case of low tax rate more preference is given to Equity.

   In addition, cost of debt, cost of equity flexibility, risk consideration etc are other factors affecting capital structure.

Fixed Capital and Factors affecting Fixed Capital

Fixed capital refers to investment in long-term assets. Investment in fixed assets is for longer duration and they must be financed through long-term sources of capital. Decisions relating to fixed capital involve huge capital/ funds and are not reversible without incurring heavy losses. The factors affecting the requirement of fixed capital are the follows.

1. Nature of Business : Manufacturing concern require huge investment in fixed assets & thus huge fixed capital is required for them but trading concern needs less fixed capital as they doesn't require to purchase plant and machinery etc.

2. Scale of Operations : An organisation operating on large scale require more fixedd capital as compare to an organisation operating on small scale.

3. Choice of Technique : An organisation using capital intensive techniques require more investment in plant & machinery as compare to organisation using labour intensive techniques.

4. Technology upgradation : Organisations using assets which become obsolete faster require more fixed capital as compare to other organisations.

5. Growth Prospects : Companies having higher growth plan require more fixed capital. In order to expand production capacity more plant & machinery are required.

6. Diversification : In case a company go for diversification then it will require more fixed capital to invest in fixed assets like plant and machinery.

Working Capital and Factors affecting working capital

Working Capital refers to the capital required for day to day working of an organisation. Apart from the investment in fixed assets every business organisation needs to invest in current assets, which can be converted into cash or cash equivalents within a period of one year. They provide liquidity to the business. Working capital is of two types : Gross working capital and Net working capital Investment in all the current assets is called gross working capital whereas the excess of current assets over current liabilities is called net working capital. Following are the factors which affect working capital requirements of an organisation.

1. Nature of Business : A trading organisation needs a lower amount of working capital as compared to a manufacturing organisation as trading organisation undertake no processing work.

2. Scale of operations : - An organisation operating on large scale wille require more inventory and thus, its working requirement will be more as compared to small organisation.

3. Business Cycle ; In the time of boom more production will be undertaken and so more working capital will be required during that time as compared to depression.

4. Seasonal Factors : During peak season demand of a product will be high and thus high working capital will be required as compared to lean season.

5. Credit allowed : If credit is allowed by a concern to its customers than it will require more working capital but if goods are sold on cash basis than less working capital is required.

6. Credit availed : If a firm is able to purchase raw material on credit from its suppliers then less working capital will be required.

In addition to above growth prospects, operating efficiency, inflation, level of competition etc also affect working capital requirement.

Trading on Equity :

It refers to the increase in profit earned by the equity shareholders due to the presence of fixed financial charges like interest. Trading on equity happen when the rate of earning of an organisation is higher than the cost at which funds have been borrowed and a as result equity shareholders get higher rate of dividend per share.

One Mark Questions

1. Name the concept which increases the return on equity shares with a change in the capital structure.
2. A company wants to establish a new unit in which a machinery of worth Rs. 10 lakhs is involved. Identify the type of Decision involved in financial management.
3. What is the primary aim of financial management?
4. What is financial risk?
5. Why service-industry require less working capital?

Three / Four Marks Questions

1. What are capital budgeting Decisions? Explain three factors affecting capital budgeting Decisions.
2. What is meant by fiancial planning? Explain its objectives.
3. Explain the meaning and objectives of financial management.
4. Explain financial Leverage and Trading on Equity.
5. Explain the various financial decisions taken by an organisation.

Five / Six Marks Questions

1. Define capital structure. Explain five factors affecting it.
2. Explain six factors affecting fixed capital of a concern.
3. Give the meaning of working capital. Explain any five factors determing working capital requirements.
4. What is meant by Divident Decision? State & Explain five factors affecting the Dividend Decision.

5. Suggest working capital requirement for following manufacturing concern:

   a) Bread
   b) Sugar
   c) Coolers
   d) Motor Car
   e) Locomotive
   f) Furniture on Specific order.

Unit

10

Financial Markets

Introduction :

Financial Market is a market for creation and exchange of financial assets like share, bonds etc. It helps in mobilising savings and channelising them into the most productive uses. It helps to link the savers and the investors by mobilizing funds between them. The person / Institution by which allocation of funds is done is called financial intermediaries.

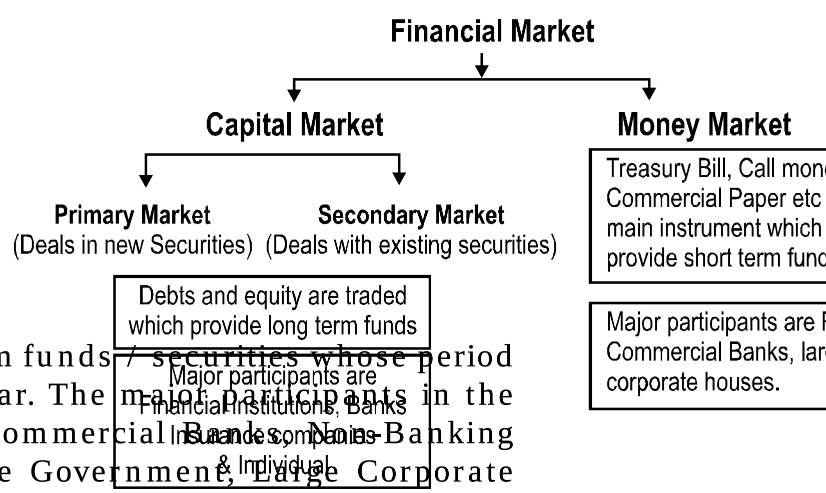
Functions of Financial Market.

1. Mobilisatin of Savings and channeling them into the most productive uses : Financial market facilitates the transfer of savings from savers to investors and thus helps to channelise surplus funds into the most productive use.
2. Help in Price Determination : Financial Market helps in interaction of savers and investors which in turn helps in

the determination of prices of the financial assets such as shares, debentures etc.

3. Provide Liquidity to Financial Assets : Financial market ficilitate easy purchase and sale of financial assets. Thus, it provide liquidity to them so that they can be easily converted into cash whenever required.

4. Reduce cost of transations : Financial market provide valuable information about securities which helps in saving time, efforts and money and thus it reduces cost of transactions.



Money Market :-

It is a market for short term funds / securities whose period of maturity is upto one year. The major participants in the money market are RBI, Commercial Banks, Non-Banking Finance Companies, State Government, Large Corporate Houses and Mutual Funds. The main insruments of money market are as follows.

1. Treasury Bills : They are issued by the RBI on behalf of the Cenral Government to meet its short-term requirement of funds. They are issued at a price which is lower than their face value and repaid at par. They are available for a minimum

amount of Rs. 25,000 and in multiples thereof. They are also known as Zero Coupon Bonds.

2. Commercial Paper : It is a short term unsecured promissory note issued by large and credit worthy companies to vaise short term funds at lower rates of interest than market rates. They are negotiable instrument transferable by endorsement and delivery with a fixed maturity period of 15 days to one year.

3. Call Money : It is short term finance repayable on demand, with a maturity period of one day to 15 days, used for inter-bank trasactions. Call Money is a method by which banks borrow from each other to be able to maintain the cash reserve ratio as per RBI. The interest rate paid on call money loans is known as the call rate.

4. Certificate of Deposit : It is an unsecured instrument issued in bearer form by Commercial Banks & Fiancial institutions. They can be issued to individuals, Corportations and companies for raising money for a short period ranging from 91 days to one year.

5. Commercial Bill : It is a bill of exchange used to finance the working capital requirements of business firms. A seller of the goods draws the bill on the buyer when goods are sold on credit. When the bill is accepted by the buyers it becomes a marketable instrument and is called a trade bill. These bills can be discounted with a bank if the seller needs funds before the bill maturity.

Capital Market :

It is a market for long term funds where debt and equity are traded. It consists of development banks, commercial banks and stock exchanges. The capital market can be divided into two part.

1. Primary Market.
2. Secondary Market

Primary Market :

It deals wth the new securities which re issued for the first time. It is also known as the new issues market. The investros in this market are banks, financial institutions, insurance companies, mutual funds and individuals. It has no fixed geographical location and only buying of securities take place in the primary market.

Secondary Market :

It is also known as the stock market or stock exchange where purchase and sale of existing securities take place. They are located at specified places and both the buying as well as selling of securities take place.

Methods of Floatation of New Issues in the Primary Market

1. Offer through Prospectus : It involves inviting subscription from the public through issue of prospectus. A prospectus makes a direct appeal to investors to raise capital through an advertisement in newspapers and magazines.
2. Offer for sale : Under this method securities are offerecd for sale through intermediaries like issuing houses or stock brokers. The company sells securities to intermediary / broker at an agreed price and the broker resell them to investors at a higher price.
3. Private Placements : It refers to the process in which securities are allotted to institutional investor and some selected individuals.
4. Rights Issue : It refers to the issue in which new shares are offered to the existing shareholders in proportion to the number of shares they already possess.
5. e-IPOs :- It is a method of issuing securities through on-line system of stock exchange. A company proposing to issue capital to the public through the on-line system of the stock exchange has to enter into an agreement with the stock exchange. This is called an e-intial public offer. SEBI registered brokers have to be appointed for the purpose of

accepting applications and placing orders with the company.
Difference between Capital and Money Market.

	Basis	Capital Market	Money Market
1.	Participants	Financial Institutions, Banks Corporate Entities, foreign investors and individuals	RBI, Banks, Financial Institutions & finance companies
2.	Insruments Traded	Equity shares, bonds preference shares and debentures	Treasury Bills, trade bills, commercial paper, call money etc.
3.	Investment outlay	Does not necessasily require a huge fiancial outlay	Entail huge sums of money as the instruments are quite expensive.
4.	Duration	Deals in medium & long term securities having maturity period of over one year.	Deals in short term funds having maturity period upto one year.
5.	Liquidity	Securities are less liquid as compared to money market securities.	Money market instruments are highly liquid.
6.	Expected Return	High return	Low return
7.	Safety	Capital Market instruments are risker both with respect to return and repayment.	Money market instrument are generally much safer with a minimum risk of default.

Difference between Primary and Secondary Market

	Primary Market	**Secondary Market**
1.	Only new Securities are traded.	Existing securities are traded.
2.	Prices of securities are determined by the management of the company.	Price are determined by the forces of demand and supply of the securities.
3.	Securities are sold to investors directly by the company or through intermediary.	Investors exchange ownership of securities.

4.	There is no fixed geographical location.	Located at specified places.
5.	Only buying of securities takes place	Both the buying & the selling of securities can take place.

Stock Exchange / Share Markets

A stock Exchange is an institution which provides a platform for buying and selling of existing securities. It facilitates the exchange of a security i.e. share, debenture etc. into money and vice versa. Following are some of the important functions of a stock Exchange.

1. Providing liquidity and Marketability to Existing Securities : Stock Exchange provide a ready and continuous market for the sale and purchase of securities.
2. Pricing of Securities : Stock Exchange helps in constant valuation of securities which provide instant information to both buyers and sellers and thus helps in pricing of securities which is based on the forces of demand & supply.
3. Safety of transaction : The members of a stock exchange are well regulated, who are required to work within the legal framework. This ensures safety of transactions.
4. Contributes to Economic Growth : Stock exchange provide a platform by which saving get channelised into the most productive investment proposals, which leads to capital formation & economic growth.
5. Spreading of Equity cult : Stock exchange helps in educating public about investments in securities which leads to spreading of Equity culture.
6. Providing scope for speculation : Stock exchange provides scope within the provisions of law for speculation in a restricted and controlled manner.

Trading Procedure on a Stock Exchanges.

1. Selection of Broker : In order to trade on a stock Exchange

first a broker is selected who should be a member of stock exchange as they can only trade on the stock exchange.

2. Placing the order : After selecting a broker, the investors specify the type and number of securities they want to buy or sell.

3. Executing the order : The broker will buy or sell the securities as per the instructions of the investor.

4. Settlement : Transactions on a stock exchange may be carried out on either cash basis or a carry over basis (i.e. badla). The time period for which the transactions are carried forward is referred to as 'accounts' which vary from a fortnight to a month. All transactions made during one account are to be settled by payment for purchases and by delivery of share certificates, which is a proof of ownership of securities by an individual.

   Earlier trading on a stock exchange took place through a public outcry or aution system which is non replaced by an online screen based electronic trading system. Moreover, to eliminate, the problems of theft, forgery, transfer delays etc an electronic book entry from a holding and transferrin securities has been introduced, which is called process of dematerialisation of securities.

National Stock Exchange of India (NSE)

NSE was set up by leading financial institutions, banks, insurance companies and other financial intermediaries in 1992 and was recognised as a stock exchange in April 1993. It has provided a nation wide screen based automated trading system with a high degree of transparency and equal access to investors irrespective of geographical location. NSE was set up with the following objectives.

1. Establishing a nation-wide trading facility for all types of securities.

2. Ensuring equal access to investors all over the country through an appropriate communication network.

3. Enabling shorter settlement cycles and book entry settlements.
4. Providing a fair, efficient and transparent securities market using electronic trading system.
5. Meeting international bench marks & standards.

NSE provides trading in following two segments :

1. Whole sale Debt Market Segment which provide platform for a wide range of fixed income securities such as Government Securities, treasury bills, state developmet loans, PSU bonds etc.
2. Capital Market Segment which provide platform for equity shares, preference shares, debentures etc. as well as retail Govt. securities.

Over the Counter Exchange of India (OTCEI)

OTCEI was promoted by UTi, ICICI, IDBI, IFCI, LIC, GIC, SBI Capital Markets and can Bank Financial Services. It is a place where buyers seek sellers and vice-versa and then attempt to arrange terms and conditions for purchase / sale acceptable to both the parties. It is fully computerised, transparent, single window exchange which provide quicker liquidity to securities at a fixed and fair price, liquidity for less traded securities. Following are the advantages of OTC Market.

1. It provides a trading platform to smaller and less liquid companies.
2. It is a transparent system of trading with no problem of bad or short deliveries.
3. Family concerns & closely held companies can go public through OTC.
4. Dealer can operate both in new issues & secondary market at their options.

5. It is cost effective as there is a lower cost of new issues and lower expenses of servicing the investors.

Difference beteen NSEI and OTCEI

	Basis	NSEI	OTCEI
1.	Establishment	1992	1990
2.	Settlement	within 15 days	within 7 days
3.	Security Traded	In whole sale debt Market segment Treasury bill, PSU Bonds etc & In Capital Market segment equity shares, preference shares, debentures	Equity, debentures etc.
4.	Objectives	To provide nation-wide, ringless trans -parent trading facility for all instruments.	To servce as an exchange for securities of small companies.
5.	Size of the company	Paid up capital Rs. 3 Crore & above	Paid up capital Rs. 30 Lakh & above.

Securities and Exchange Board of India (SEBI)

SEBI was established by Government of India on 12 April 1988 as an interim administrative body of promote orderly and healthy growth of securities market and for investor protection. It was given a statutory status on 30 January 1992 through an ordinance, which was later replaced by an Act of Parliament known as the SEBI Act, 1992.

Objectives of SEBI

1. To regulate stock exchange and the securities market to promote their orderly functioning.

2. To protect the rights and interests of investors and to guide & educate them.

3. To prevent trade malpractices such as internal trading.

4. To regulate and develop a code of conduct and fair practices by intermediaries like brokers, merchant bankers etc.

Function of SEBI

Regulatory Functions

1. Framing Rule & Regulations
2. Registrations of broker & sub-brokers
3. Registration of collective investment schemes & mutual funds.
4. Regulation of Stock Brokers, portfolio exchanges, underwriters & Merchant Bankers
5. Regulation of task over bids by companies.
6. Levying fee or other charges as per Act.

Development Functions

1. Training of intermediaries
2. Conducting Research & Publishing useful information.
3. Undertaking measures to develop capital market by adapting flexible approach.
4. Educating Investors to broader their understanding
5. Permitting internet trading through registered stock brokers

Protective Functions

1. Prohibiting of frandulent & unfair trade practices.
2. Check on insider trading.
3. Ensure investors protection.
4. Promote fair practice & code of conduct in securities market.
5. Check on price rigging.
6. Check on preferential allotment.

One Marks Questions :

1. What is the maturity period of a commercial Paper?
2. What is a Treasury Bill?
3. AB Ltd. has sold 1 lakh equity shares of Rs. 10 each at Rs. 12 per share to an investment banker, who offered them to the public at Rs. 20 each. Identify the method of floatation.
4. State any two instruments of Capital Market.
5. Who act as the watchdog of Security Market in India?

Three / Four Marks Questions

1. State the various protective functions of SEBI.
2. What is money market? Explain its three instruments.
3. What is meant by commercial paper & certificate of Deposit?
4. Distinguish between NSEI and OTCEI on following basis.
   a) Size of the company
   b) Securities traded.
   c) Settlement
   d) Objective.
5. State any four regulatory functions of the SEBI.
6. Make difference between Primary and Secodary Market.

Five/ Size marks Questions.

1. Explain any five / six functions of stock exchange.
2. Why was SEBI set up? State its development functions.
3. Explain any five methods of floating new issues in the primary market.
4. Explain the trading procedure on a stock exchange.
5. Distinguish between capital market and money market on the following basis.
   a) Participants
   b) Instruments Traded.
   c) Duration of Securities Traded.
   d) Expected Return
   e) Safety
   f) Liquidity.

Unit

11

Marketing Management

Introduction :

Marketing management is an important functional area of business.

- It is the process of planning, organising, directing and controlling the activities related to marketing of goods and services to satisfy customers needs & achieve organisational goals.

Market :

In the traditional sense, the 'market' means a place where buyers & sellers gather to enter into transaction involving the exchange of goods & services. But in modern sense, market refers to meeting of buyers and sellers at a place, by telephone or by internet etc.

Marketing :

Markerting is a social process whereby people exchange goods & services for money or for something of vaue to them.

Any thing that is of value to the other can be marketed e.g.

1.	Physical Products	- T.V. Mobile phone etc.
2.	Services	- Insurance, education etc.
3.	Ideas	- Blood donation, family planning
4.	Person	- Selection for different posts.
5.	Place	- Agra 'Taj Mahal', etc.

Importance features of Marketing :-

1. Need and want : Satisfaction of the needs and wants of individuals and organisations.
2. Creating a market offering : Complete offer for a product of service.
3. Customer value : greatest benefit or value for the money.
4. Exchange mechanism : Exchange of products / services for money / value.

Functions of Marketing / Marketing activities

1. Marketing research : Gathering and analysing marketing information i.e. what the customers want to buy, when they are likely to buy in what quantitis do they buy from where do they buy etc.
2. Marketing planning : Specific plan for increasing the level of production, promotion of the products etc and specify the action programmes to achieve these objectives.
3. Product designing and development ; Marketer must take dicision like, what-product? Which model / size ? brand name? Packaged ? quality level ? So that customer needs are satisfied.
4. Buying & assembting : - e.g. car. Raw material like steel,

tyers, batteries, seats, stearing wheels etc are bought & them assembled in the form of a complete product.

5. Packing / Labelling : designing the package & labelling.
6. Branding : Creating a distinct identify of the product from that of competitions. e.g. Video can washing machine.

Concepts & Philosophies of Marketing :-

1. Production concept : Profits could be maximised by producing products at a large scale, thereby reducing average cost of production.

   Drawback : Customer donot always buy inexpensive products.
2. Product concept : Business goals lies in making high quality products as customer favour them.
3. Sales Concept : Firms must undertake aggresive selling & promotion efforts to make customers buy their products.

Marketing Management :

Marketing management means management of the marketing function which are

1. Choosing a target market.
2. Creation of demand
3. Creating, developing & communicating supervior value for the customers.
4. Market Shares.
5. Goodwill
6. Planning & controlling marketing activities.

Marketing Mix :

Marketing mix refers to ingredients or the tools or the variables which the markets mixes in order to interact with a particular markets.

Elements / 4 Ps' of Marketing mix

1. Product Mix : Product live e.g. Hindustan Lever Limited
   - Colgati, lifebouy etc.

Elements

Branding **Packaging** **Labelling**

2. Price Mix : Value (Money) in lieu of product / Service recieved by caller from a buyer.

Factors

Company Objectives **Costs** **Competition** **Customer Demand**

3. Promotion mix : Information the customers about the products & pursuading them to buy the same.

Element

Personal Salling **Advertising** **Publicity** **Sales Production**

4. Plant Mix : Physical distribution : Various decision regarding distribution of products.

- Channels of distribution : Whether wholesalers, retailors to be used or not.
- Physical movement of the products from producer to consumers.
- Storage, transportation, managing inventory (stock) etc.

Products :

Product in anything that can be offered to a market to satify a want or need.

1. Consumer Product : Purchased by the ultimate consumers for personal needs.

   e.g. Soap, toothpaste, textile etc.

2. Industrial Products : Used as inputs in producing other products eg. raw materials, toots etc.

Detailed Study of 4 P's (Elements) of Marketing Mix :

PRODUCT MIX Three components are

i) Branding - giving a name / a sign / a symbol etc to a product

   eg. : Pepsi -

   Nike -

ii) Packaging : Act of designing and producing the container or wrapper of a product.

- Good packaging often helps in selling the product so is called a silent salesman.

iii) Labelling - Description of the product, its contents the manufacturers, date & time of manufacturing

- Helps in promotion / grading / identifying the product.

PRICE MIX : -

Price, pricing strategies, Price determination.

Price - Amount of money paid by a buyer (or recieved by a seller) in consideration of the purchase of product or a services.

Pricing Strategies :- Price skimming - higher prices at initial stages to recover fixed costs.

Penetration pricing - Lower initial price to capture a large market.

Price determination / Factors affecting Pricing decisions

1. Pricing objectives : affects price of product / service

   e.g. maximum profits in short term keep to high price.

2. Product cost : Sets lower limits of the price.

3. Extent of competition in the market : No competition means compete freedom in fixing its price.

4. Utility & demand : More demand - Move price.

   Sometimes Less price - more demand depends upon the utility of the product.

Place Mix/ Physical Distribution Mix : Covers all the activities required to physically move goods from manufacturers to the customers. Important activities includel.

1. Order processing : Occurate & speedy order processing leads to profit & goodwill & vise versa.

2. Transportation : Addi value of the goods by moving them to the place where they are required.

3. Inventory control : Additional demand can be met in less time, the need for inventory will also be low.

4. Ware housing : Need arises to fill the gap between the time of product is produced & the time it is required for consumption.

Channels of Distribution :

Direct Chennal - Manufacturer - Customer

Indirect Chennal - Manufacturer - Retailer - customer

Manufacturer - wholesaler - Retailer - customer

Manufacturer - Agent - wholesaler - Retailer customer

Factors Determining Choice of Channels of Distribution :-

Choice of appropriate channel of distribution is a very important marketing decision, which affects the performance of an organisation. Whether an organisation will adopt direct marketing channels or long channels involving no. of intermediaries is a strategic decision.

Factors Dermining Choice of Channels of Distribution

Market related Factor

1. Size of the market - is no of customers - more customers more intermediates
2. Geographical concentration - concentrated buyers - direct selling spread customers - more intermediates
3. Size or order - i.e. quantity purchase -
   Less - more intermediates
   More - direct selling

Product Related Factor

1. Nature of product - technical (made to order) - direct selling
2. Perishable (direct / short channels); Non perishable - Long Channels.
3. The unit value of the product - costly - direct selling.
4. Product Comlexity - Complex products - direct selling

Company related factor

1. Financial strength of the company
   - Strong - direct / own channel
   - Weak - middleman required.
2. Degree of control - Greater control Short/ direct channel.
3. Management - Sufficient knowledge - direct selling & Vise versa.

Promotion Mix

It refers to combination of promotional tools used by an organisation to achieve its communication objectives.

Tools

1. Advertising : Most commonly used tool of promotion. It is an impersonal form of communication, which in paid by the marketers (sponsors) to promote goods or services. Common moders are 'newspaper', 'magazine', 'television' & 'radio'.

Merit : -

1. Mass reach - TV & radio network
2. Choice - Selection by keeping in mind the target.

Limitations :

1. Less forceful as there is no direct communication.
2. Lack of feedback as there is no immediate & accurate feedback mechanism.

Factors : Influencing choice of advertising media.

1. Selectivily - Ability of a medium to reach a particular audience.

2. Cost - Amount of funds available for advertising.
3. Performance - Refers to the durability of the medium.

2. Sales Promotion :-

Short term incentives designed to encourage the buyers to make immediate purchase of a product / service.

Techniques

1. Rebate : Special price to clear off excess inventory.
2. Discounts : Price reduced to induce buyers to buy move.
3. Sampling : Free sample of a product to costumer to try product & learn about it.
4. Lucky draw : Lucky draw coupon eg. purchase an easy product & win a car. etc.

3. Personal Selling :

Involves oral presentation of message in the form of conversation with one or more prospective customers for the purpose of making sales. It is personal form of communication.

Role of Personal Selling

1. Importance to businessman - Very effective flexible tool.
2. Importance to customer - They get latest market information and export advice.
3. Inportance to Society : Employment opportunities & product standardisation.

4. Publicity : is a non-personal form of communication & against advertising it is a non-paid form of communication e.g. If a manufacturer develops a car engine runs on water instead of petrol & this mews is covered by television / radio / newspaper, it would be termed as publicity as the manufacturer benefit from it without bearing any cost.

Merit : Mass reach, more credibility

Limitation : Not with in th control of firm.

Questions Based on 'Marketing'

1 Marks Question

1. State any one pillar of marketing concept.

   (Hint. Satisfying the needs of customers better than competitions)

2. Mention any two objectives of marketing management

   (i. creation of demand & ii. customer satisfaction)

3. Give two examples of shopping products.

   (shoes & jewellery)

4. Most commonly used distribution channel for most consumer goods?

   (Manufactors - Wholesales - Retailer - Consumer)

5. Mention any two features of advertising?

   (i. paid form of communication, ii. Non-personal)

3/4 Marks Questions

6. What is meant by "Branding' Staff any three qualities of a good brand name?
7. State three functions performed by channels of distruction.
8. State any three important merits of advertising.
9. Explain any three factors to be considered in the pricing decision.
10. Explain the four communication tools of 'Promotion mix'?

5/6 Marks Questions

11. Sate & explain any five / six functions of marketing.
12. What do you mean by 'Marketing mix' explain its components.
13. "It pays to advertise'. 'Advertising is a socialwaste' Reconcile.
14. Explain the term 'Brand'. 'Brand Name', 'Brand mark' & 'Trade-mark' with example.
15. Explain the factors determining choice of channels of distribution of any product.

Unit

12

Consumer Protection

Introduction :

Modern marketing begins with the customer & ends with the customer. A consumer is said to be king in a free market economy so customer needs protection from any malpractices.

Importance of Consumer Protection :-

A. From consumer's point of View :-

1. Consumer ignorances : In India due to illiteracy consumers cannot differentiate between pure & adultrated products.

   - They cannot read the contents, dates, price quantity etc.

   - They are ignorant about their rights & relieves available to them.

2. Wide spread exploitation of consumers : They need protection against malpractices of the sellers.

From the Point of View of Business

1. Long term business interest : It is always in the interest of the business to keep its customer satisfied, global competition could be win only after satisfying customers.
2. Moral Justification : It is the moral duty of any business to take care of consumer interest & avoid any form of their exploitation & unfair trade practices like defective & unsafe products, adultration, false & misleading advertising, hoardings black marketing etc.

Legal Protection to Customer :-

1. Consumer Protection Act, 1986 :- Provides six consumer rights, applicable to all types of undertakings, big & small, public or private or cooperative sector.
2. The sale of Goods act 1930 : Provides some safeguards & relief tothe buyers for condition / warranties.
3. The Essential Commodities Act 1955 : Checking inflationing treud & ensuring equal distribution of essential commodities.
4. The Prevention of Food adultration 1954 : Ensures purity so as to maintain public health.
5. The standard of weights & measures act 1976 :- againsts malpractices of underweight / undermeasure of goods.
6. The trademarks act, 1999 : Protection against spurious products.
7. The Bureau of Indian Standard Act 1986 : Quality standard & BIS certification scheme.
8. The Indian Contract act, 1872 : Promises made by parties to a contract will be binding each other.
9. The competition act, 2002 : Protection against competition in the market.

10. The agriculture Produce : (Grading & Marking) Act 1937 : Grading, marketing & Packing of agriculture & Live stock products.

    Quality mark - AGMARK

Rights of A Consumer

Six rights provided by CPA 1986.

1. Right to Safety : Means the right to be protected against products, production processes & services which are hazardown to life (should use ISI marked electric products)
2. Right to be informed : Right to have complete information about the product before buying.
3. Right to choose ; Right to choose from a variety of products at competitive prices.
4. Right to be heard : Right to file a complaint & to be heard in case of dissatisfaction with goods or services (use of grievance cell)
5. Right to Seek Redressal : Right to get relief in case the product or service falls short of his expectations.

   e.g. replacement / removal of defect / compensation for any loss.
6. Right to consumer education : Right to acquire knowledge & to be well informed consumer throughout life. IGNOU has devised a syllabus for distant education on consumer protection.

Responsibilities / Duties of a Consumer

1. Consumer must exercise his right : Consumer must be aware of their rights with regard to the product or services they buy from the market.
2. Consumer must be a cautions consumer : While buying a product or services, a consumer should read labels carefully to learn about its every minute detail.

3. Consumer must file a complaint in a appropriate forum in case of any shortcoming in product / service availed.
4. Conumer must insist on cash memo ; i.e. a proof of purchase & required to file a complaint.
5. Consumer must be a quality conscious : He should ask / look for ISI mark on electric goods. FPO mark on food products, Hall mark on jewellery etc.
6. Consumer must bring the discrepancy in the advertisiment to the notic of the sponsor.

Ways And Means of Consumer Protection.

1. Government : Protcts the interest of consumers by enacting various legislations like CPA 1986, Sale of goods Act 1930, Bureu of Indian Standard 1986 etc. Consumer Protection Act provides for a three-tier machienery at the district, state & national level for speedy & inexpensive redrenal of consumer grievances.
2. Consumer Organisation : Force business firms to avoid malpractices & explotation of consumers.

   e.g. Consumer coordination council, Delhi.

   ii) Common cause, Delhi

   iii) Consumers Association, Kolkata.

   iv) Mumbai Grahak Panchyat Mumbai etc.
3. Business Association : The associations of trade, commerce & business like federation of Indian Chambers of commerce (FICCI) & Confederation of Indian Industries (CIL) have laid down their code of conduct for their members in their dealings with the customers.

The Salient Features and Provisions of Consumer Protection Act, 1986

A. Why was consumer protection act, 1986 was enacted

- To protect & promote the interests of the cousumers by recognising consumers right (all six rights)

B. Who is a 'consumer' according to the CPA 1986

- A person who uses or consumer goods or avails any of service for a consideration.
- It does not include those who obtain goods for re-sale or any commercial purposes.

C. Under what circumstances complaints can be filed ?

- Frandulent practices of traders & manufactures.
- Goods are defective
- Any deficiency in the services hired.

D. Redressal agencies under the consumer Protection Act 1986.

- District forum
- State Commission
- National commission

E. Relief / Remedies available to a consumer under CPA 1986.

- Remove the defect in goods / deficiency in services.
- Replace defective product with new, defect free.
- Refund the price paid.
- Issue connective advertisement to neutrilize the effect of misleading advertisement.

F. With in what period the complaint must be filed ?

With in 3 months of purchase & if some testing of goods is required then with in 5 months.

G. Who can file a complaint.

- Any consumer
- Any registered consumer association.
- Central / State Govts.
- Legal heir / representation of a a deceased customer.

Role and Functions of Consumer Organisation & NGOs.

- Educating the general public about consumer right.
- Publishing periodeial & other publications.
- Providing Legal assistance to consumers.
- Producing films or cassettes on food adultration misuse of drugs etc.

Important Questions :

1 marks

1. What are the two aspect of consumer prolection?

   (Hint - Educating consumers & Redrerral of their grievances)

2. Give one example of consumer exploitation?

   (unsafe products / Black marketing)

3. Name any two legitalations which provide protection to consumers

   (Hint : (i) CPA 1986, The Essential Commodities Act 1955)

4. Mention any two ways & means of consumer protection.

   (Hint - Consumer organisation & Govt.)

5. Which mark is issued under the Bureau of Indian Standard Act 1986 ?

   (Hint : ISI)

3/4 Marks Questions

6. Explain the role of Universities & schools in counsumer protection?
7. Explain briefly the salient features of consumer protection Act 1986?

5/6 Marks Questions

8. State & Explain any six functions of consumer organisation & NGO for prolecting & promoting the interest of consumer.
9. Explain any six responsibilities of the consumers to safeguards their interest.
10. Explain rights of a consumer available under CPA 1986.

Model Questions Paper-I

Time : 3 hrs. **M.M. : 100**

General Instructions :

1. Answers to questions carrying 1 mark may be from one word to one sentence.
2. Answer to questions carrying 3 marks be from 50 to 70 words.
3. Answer to questions carrying 4-5 marks may be about 150 words.
4. Answer to questions carrying 6 marks may be about 200 words.
5. Attempt all parts of a question together.

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1. 'In an organization employees are happy and satisfied, there is no chaos and the effect of management is noticeable.' Which characteristic of management is highlighted by this statement? 1
2. What is that process called by which a manager synchronizes the activities of different departments? 1
3. Which Principle of Management is violated when a subordinate has to follow orders of more than one superior? 1
4. What is the objective of 'Fatigue Study'? 1
5. 'Business Environment keeps changing whether in terms of technological improvement, shift in consumer preferences or entry of new competition in the market'. Which feature of Business environment is highlighted in this statement? 1
6. Give any one example of liberalization of Indian Business and Industry as per the economic reforms introduced by the Government of India since 1991. 1
7. 'It is the process of guiding the efforts of employees and other resources to accomplish the desired objectives'. Which element of Directing is being referred to in this statement? 1
8. Give the meaning of the term 'Deviation' in one sentence. 1
9. Write any one limitation of controlling. 1

10. Name the type of investment decision which relates to short-term and affects day to day operations of a company. 1

11. Identify the component of Business Environment denoted by the following examples with reasons :- 3

    a) Reserve Bank of India has increased rates of interest to keep inflation under control.

    b) Dut to increasing literacy rates more customers are complaining in consumer courts regarding defective quality of product or service.

    c) The use of Internet has redefined the way in which the business is done.

12. Explain the steps involved in the process of Planning. 3

13. Give any three differences between Training and Development. 3

14. Explain briefly the types of Human needs as per Maslow's Need Hierarchy Theory. 3

15. State any three features of a good brand name. 3

16. Explain briefly the following types of plans with the help an example of each :- 4

    a) Strategy b) Policy

    c) Programme d) Objectives.

17. Distinguish between Formal and Informal organisation on the basis of the following :- 4

    a) Flow of Communication b) Leadership

    c) Authority d) Behaviour.

18. Explain the process of Budgetary Control with the help of suitable examples. 4

19. Explain the trading procedure involved in the purchase or Sale of securities in a stock exchange. 4.

20. Explain any two regulatory functions and any two developmental functions of SEBI. 4

21. Explain the nature of management as an art and as a profession. 4

22. Differentiate between the contributions of Henri Fayol and F.W. Taylor on any five basis. 5

23. Explain the process of selection of employees in an organization. 5

24. Explain briefly any five factors which help in determining the working capital requirements of a company. 5

25. Explain any five factors affecting price determination. 5

26. Explain what line of actions should the concerned companies take in the following cases giving reasons :- 6

a) 'X' Limited manufacturing popular brand of ice-cream with good market share is organized into functional organization structure with separate departments for Production, Marketing, Finance, Human Resources Developmet and Research and Development. Now to cash on to its brand and to capture more market it wants to diversify into manufacturing of other food items such as chocolate, chips and sauces etc. The company finds that it would not be possible in the current organizational structure.

b) 'Y' Limited manufacturing cosmetics has enjoyed a good market reputation has grwn in size. It has followed centralized business model with Directors and Divisional heads making even minor business decisions. Now with increased competition it is seen that its market share is declining.

OR

'Delegation of Authority is necessary in all types of organizations'. Explain any four reasons in support of your answer.

27. Explain any six qualities of a good leader. 6

OR

Explain any two barriers each in the categories of Semantic Barriers, Psychological Barriers and Organizational Barriers to effective communication.

28. The Board of Directors has asked you to design the capital structure of the company. Explain any six factors that you would consider while doing so.

Or

Every manager has to take three major decisions while performing the finance function. Explain them. 6

29. Identify the methods of sales - promotion in the following cases - 6

i) A mobile company offers a discount of Rs. 1000 to clear off exces inventory.

ii) A customer gets Rs. 5 off on return of an empty wrapper while making a new purchase of the same product.

iii) A company offers a pack of 1/2 kg. Of sugar the purchase of a 5 Kg. bag of wheat flour.

iv) A company offers 40% of extra shaving cream in a pack of 500gms.

v) Scratch a card and get a gold coin with the purchase of a cold drink.

vi) Purchase good worth Rs. 50,000 and get a holiday package worth Rs. 10,000 free.

Or

Identify the type of products in the following cases and give one example of each type :

i) Purchase of goods in which buyers devote considerable time to compare quality, price and style.

ii) Consumer products while are purchased frequently, immediately and with least time and efforts.

iii) Consumer goods having attained brand loyalty with some specific features because of which people make more efforts in their purchase.

30. Consumer Protection Act, 1986 provides for some rights of a consumer. Explain any four rights of the consumer. 6

Or

Non Governmental Organizations perform many functions for the protection of consumers. Enumerate any six functions performed by them.