

KENDRIYA VIDYALAYA SANGATHAN

GUWAHATI REGION



SPECIAL STUDY MODULE- BUSINESS STUDIES

FOR

CLASS – XII

(2015-16)

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CLASS-XII (2015-16)
COURSE STRUCTURE

One Paper

3 Hours

100 Marks

Units		Periods	Marks
Part A	Principles and Functions of Management		
1	Nature and Significance of Management	14	16
2	Principles of Management	14	
3	Business Environment	12	
4	Planning	14	14
5	Organising	18	
6	Staffing	16	
7	Directing	18	20
8	Controlling	14	
		120	50
Part B	Business Finance and Marketing		
9	Financial Management	22	15
10	Financial Markets	20	
11	Marketing Management	32	15
12	Consumer Protection	16	
Part C	Project Work	30	20
		120	50

CHAPTER-1

NATURE AND SIGNIFICANCE OF MANAGEMENT

CONCEPT SUMMARY

1. MEANING / CONCEPT OF MANAGEMENT:

Management is the process of getting things done with the aim of achieving goals effectively and efficiently.

Process: refers to the primary function like planning, organizing, staffing, directing and controlling performed by the management to get the things done.

Effectiveness: means completing the right task to achieve the deputed goal within the time frame.

Efficiency: means completion of task using minimum resources.

2. DEFINITION OF MANAGEMENT

“Management is the process of working with and through others to effectively achieve the organizational objectives by efficiently using limited resources in the changing environment.”

3. FUNCTIONS OF MANAGEMENT

(i) **PLANNING**- Setting objectives and targets and formulating an action plan of what is to be done, how to be done and when to do it.

(ii) **ORGANISING**- Assignment of duties, tasks, establishment of authority and responsibility relationships, allocating the resources required to perform the planned task.

(iii) **STAFFING**- Finding and placing the right person at the right job at the right time.

(iv) **DIRECTING**- Leading, influencing, motivating the staff chosen to perform the assigned task efficiently and effectively.

(v) **CONTROLLING**- Ensuring/Monitoring the activities in an organization are performed as per the plan.

4. NATURE OF MANAGEMENT: As an art, As a science and As a profession.

5. MANAGEMENT OBJECTIVES-ORGANISATIONAL OBJECTIVES:

SURVIVAL: Ensure that the organization survives and exists in the future.

PROFITABILITY: Earning adequate profit in order to survive and grow.

GROWTH: Growth indicates how well it exploits the potential opportunities.

SOCIAL OBJECTIVES:

- Producing quality products at reasonable rates,
- Generating employment opportunities,
- Community progress and development by providing schools and crèches to employees. In fact most of the firms have taken upon themselves the concept of social responsibility as one of the most basic elements of business objectives.
- Environmental friendly method of production.

PERSONAL OBJECTIVES:

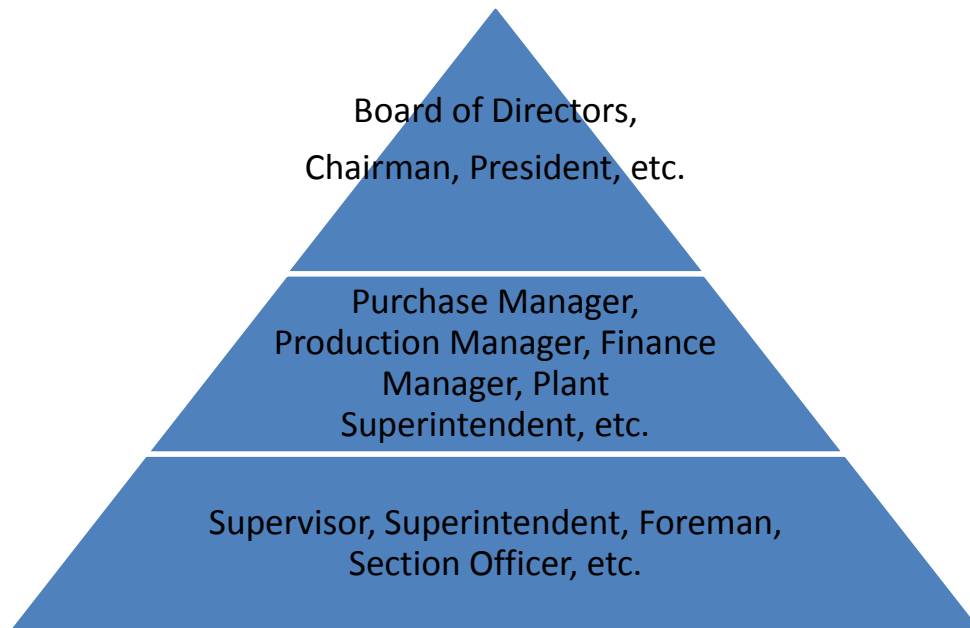
- Meeting the Financial needs like competitive salaries and perks.
- Social and safety needs of the employee like peer recognition, self-respect and respect for colleagues.
- Higher level needs like implementation and monitoring of policies for personal growth and survival.
- Reconcile and personal goals with organizational objectives for harmony in the organization.

6. IMPORTANCE OF MANAGEMENT

- Aids in achievement of individual and organizational goals.
- Increases efficiency.

- Enhances optimum utilization of resources.
- Creates a dynamic organization.
- Promotes development of society.

7. LEVELS OF MANAGEMENT



TOP LEVEL: DESIGNATIONS AND FUNCTIONS

- Comprises of CEO, Board of directors , MD, GM, VP.
- Conceptualizing of organizational goal, policy and strategy formulation.
- Organizing , Controlling and Monitoring activities and resource.
- Controlling the Work performance.
- Approving Budgets.

MIDDLE LEVEL: DESIGNATIONS AND FUNCTIONS

- Comprises of departmental, Sub Departmental and Divisional Heads.
- Execution of plans, policies framed by top level management
- Preparing organizational set up & appointing employees.
- Issuing instructions and motivating employees.
- Ensuring interdepartmental co-operation

LOWER LEVEL: DESIGNATIONS AND FUNCTIONS

- Forwarding suggestions and feedback to the top level.
- Comprise of Supervisors, Foreman and Inspectors.
- Maintain moral, safety and discipline amongst the work force.
- Oversee the work of the workers
- Assist the management in selection, training, placement and promotion of workers.

NATURE OF MANAGEMENT AS AN ART

- Existence of theoretical knowledge.
- Developed through practical and creative process.
- Personalized application and skill

AS A PROFESSION

- Well defined body of knowledge.
- Existence of code of conduct
- Professional association (AIMA)
- Restricted entry
- Fees as remuneration for their services

As a science:

- Arranged, organized systematic body of knowledge
- Universal validity
- Principals arrived at after experimentation

Conditions of a profession nor fulfilled by management

- Restricted entry
- Affiliation with a professional association(AIMA)
- Not Legally enforceable code of conduct
- Service motive

Coordination meaning

It is the synchronization of various activities and efforts in an organization

Providing the required amount of quality, timing and sequence; thus ensuring the achievement of the planned goal with minimum content.

Features of coordination:

- **Integrates group efforts:** It is an orderly arrangement of group effort and not individual effort
- **Ensures unity of action:** It is a binding force between departments and ensures that all efforts are focused towards achieving the organizational goal
- **It remains the function and responsibility of every manager:** the top level coordinates the overall plan, middle level coordinates the efforts of the different sections and subsections and lower level management coordinates the activities of the workers.
- **A deliberate function** It does not occur spontaneously nor is it achieved by force it is a deliberate action taken.
- **All pervasive function** it is needed in all departments and at all levels. Lack of coordination can lead to overlapping of activities.

Need for coordination

The reasons that bring out the importance or the necessity for coordination are

- Growth in the size of the organization results in the increase in varied quality of manpower too with varied individual aspirations. Coordination seeks to match the individual goal with the organizational goal.
- Functional Differentiation arising out of departmentalization and division brings forth a motive for achievement of individual objectives, in isolation from other objectives leading to departmental clashes. Coordination seeks to iron out these variations.
- Specialization can give rise to feeling of superiority and prioritizing of their zone of activities. Coordination seeks to sequence and integrate all the specialists of activities into wholesome efforts.

Importance of coordination

- Ensures unity of action
- Erases interdepartmental conflicts
- Promotes harmonious implementation of plans
- Helps in maintaining a high degree of morale amongst employees

Coordination is the essence of management

Coordination is the management function of correlating and integrating the diverse goals and activities in the organizational process. It is the essence of management because:

It is needed at all management functions

Planning- coordination between the master plan and departmental plan.

Organizing- Required between authority, responsibility and accountability.

Staffing- Achieve balance between job requirement and qualities of personnel

Directing- Required between supervision, motivation and leadership.

Controlling- Ensured actual result conform to expected result.

Needed at all levels of management function-

Top level- needs coordination to integrate activities of the organization for accomplishing the organizational goal

Middle level- coordination of the efforts of different sections and sub-sections

Lower level -coordination in the activities of workers to ensure work progresses as per plans.

VALUE BASED

Q.1 Nishita is the marketing manager of a company selling laptops she has 6 subordinated working under her. On the last day of every month she rewarded the efficient employees to motivate them.

Name the values which an organization inculcates among its employees when it promotes efficiency

ANS.

- Accomplishment of individual objectives
- Sense of achievement
- Loyalty
- Belongingness.

Q2 Kushal Ltd is a leading automobile company in which the various departments are setting up their own objectives without paying any interest to the organizational objectives name the values which are ignored by the departmental heads and the impact of it on the organization.

ANS.

- Mutual cooperation
- Coordination
- Unity of action
- Achievement of organizational objectives.
- Optimum utilization of resources.

Q.3 A cloth manufacture distributes its defective product at free of cost after getting them repaired from nari nikan at lower cost to an orphanage which values are being attested in this solution.

ANS.

Fulfillment of social responsibilities

Help to needy class of society.

Employment to members of nari nikan.

Full utilisation of defective products after improvement.

CHAPTER-2

PRINCIPLES OF MANAGEMENT

CONCEPT SUMMARY

1. **MEANING:-** The principles are broad statement of fundamental truth which provide guide lines for management decision and action. These guidelines are derived through experimentation and observation
2. **NATURE OF PRINCIPLES OF MANAGEMENT**
 - i) Universal application- can be applied to all kind of organizations, irrespective of their size and nature.
 - ii) General guidelines- the formulated guidelines to action which need to be adjusted and used as per the demands of the situation.
 - iii) Formed by practice and experimentation- derived through experimentation and observation.
 - iv) Flexible- principles are not rigid like science but are modified according to the business environment needs.
 - v) Behavioral- the principles aim to influence the unpredictable, complex and dynamic human behavior.

- vi) Causes and effect relation- they aid in predicting the outcome of management actions.
- vii) Contingent- the management principles are dependent upon the prevailing conditions/situations at that particular time hence amended accordingly.

3. SIGNIFICANCE/IMPORTANCE OF MANAGEMENT PRINCIPLES

- i) **Provides managers with useful insights into reality-** through improved knowledge, ability, understanding and improved guidance to the managers.
- ii) **Optimum utilization of resources-** and effective administration through coordinated use of physical, financial and human resources.
- iii) **Scientific decision-** they tend to be more realistic, thoughtful, justifiable and free from personal bias.
- iv) **Meet the changing environmental requirements-** by providing effective and dynamic leadership in implementing changes.
- v) **Fulfills social responsibility-** guides the manager in fulfilling the social responsibility.
- vi) **Management training, education and research** – the principles help in increasing knowledge which is used as the basis for management training and research.

4. FAYOL'S PRINCIPLES OF MANAGEMENT

- i) **Division of labour** – work could be divided into small specialized task and performed by a trained specialist
- ii) **Authority and responsibility** – there must be a right balance between authority (right to give orders) and responsibility (obligation to perform the assigned task).
- iii) **Discipline-** obedience to organization rules and employment agreement.
- iv) **Unity of command** – receive orders from one boss.
- v) **Unity of direction** – all the units of the organization should aim and move towards achieving the organizational interest.
- vi) **Subordination of individual interest to general interest** – the organization interest to be prioritized over individual interest.
- vii) **Remuneration** – pay should be fair and satisfying to both employees and the organization.
- viii) **Centralization and decentralization** – there should be a proper balance between centralization (concentration of decision making powers with top management) and decentralization (dispersal of decision making power among more than one person).
- ix) **Scalar chain** – orders of communication should pass from top to bottom and follow the official line of command.
- x) **Orders** – A place for everything/everyone and every one in its place
- xi) **Equality** – kindness, empathy and justice in the behavior of manager towards workers.
- xii) **Stability of tenure** - frequent displacement of employee from their position should be avoided. They should be given sufficient time to show their results
- xiii) **Initiative** - employees to be encouraged to develop and carry out their improvement plans
- xiv) **Espirit de corps** – need for team work, spirit and harmony.

5. SCIENTIFIC MANAGEMENT

Meaning: conduct of business activities according to standardized tools, methods and trained personal so as to have increased output through effective and optimum utilization of resources. Hence it stresses that there is always one best way of doing things.

PRINCIPLES OF SCIENTIFIC MANAGEMENT

1. Science not rule of thumb-

There should be scientific study and analysis of each element of job rather than adopting old rule of the thumb approach or a hit and Miss Methods. Encourage “thinking before doing”.

2. Harmony not discord-

There should be complete harmony and proper understanding between management and workers in achieving the organization goals.

3. Cooperation not individualism-

Taylor emphasized on the importance of cooperative group effort between the management and workers in achieving the organization’s goals and not individualism.

4. Development of workers to their greatest efficiency and prosperity:

The management should scientifically select the workers; assign job as per their physical, mental and intellectual capability and potential; and train them as per the job requirement.

Techniques of scientific management

(a) Functional foremanship

- Supervision is to be divided into several specialized functions and each function to be entrusted to a special foreman.
- Each worker will have to take orders from eight foremen in the related process of function of production
- Stress on separating planning function from executive function.

(b) Standardization and simplification of work

- Process of setting standards for every business activity to maximize output.
- Simplification is eliminating unnecessary varieties, sizes and grades of product manufactured in the organization.

(c) Method study

- Making a thorough analysis of various motions being performed by a worker while doing a particular task.
- Identifying and determining the ideal productive movement.
- Eliminate the unproductive movement and equipment’s

(d) Motion study

- Making a thorough analysis of various motions being performed by a worker while doing a particular task.
- Identifying and determining the ideal productive movement.
- Eliminate the unproductive movements and equipment's.

(e) Time study

- It is the technique used to determine the standard time taken by the workman with reasonable skill and ability to perform a particular task.
- Here the job is divided into series of elements and the time required to complete each element idealistically is recorded using a stop watch.

(f) Fatigue study

- Determines the amount and frequency of rest intervals required in completing a task.

(g) Differential piece wage system

- Evolve a system wherein the efficient and inefficient workers are paid at different rates, as financial incentives act as motivators.
- First a standard task is established with the aid of time and motion study, then two rates are established. Higher when standard outputs is produced and lower when the standard is not met

VALUE BASED QUESTIONS.

Q.1. An organization employees more male workers than female workers because they can work overtime in case of excess work . in this organization ,Mandy and Varsha are working at the same post but being male employee, Mandy has more rights than Varsha . Which values are being affected here?

- Gender biasness
- Conservatism
- Effect of male dominating society.
- Inequality of rights for same work.

Q.2. An organization proposes that the use of CFLs and leds which consumes less electricity than normal bulbs for its lighting arrangements .which value is being attained by the organization.

- Save electricity
- Reduction in cost.
- Protection of environment.

CHAPTER -3

BUSINESS ENVIRONMENT

CONCEPT SUMMARY

1. MEANING:

It is the sum total of all individuals or institutions comprising of consumers, competitors, suppliers government, courts, media and also the forces like economic, social, political, legal and technological that are outside the ambit and control of business enterprise but that which can affect its performance.

2. FEATURES OF BUSINESS ENVIRONMENT:

(i) Constitutes totally of external forces – it comprises of the sum total of all forces that are external to the business firm which it must deal with.

(ii) Specific and general forces- the forces present outside can be divided into two parts specific – these affect the firms of an industry separately e.g customers, suppliers, competitive firms etc.

General – these forces affect all the firms of an industry equally e.g social, political.

(iii) Inter-related – the different factors are co-related e.g change in the import – export policy is a political change that gives rise to economic change that gives rise to economic change as well

(iv) Uncertainty-business environment are susceptible to rapid changes, no one can predict with certainty the changes in the factors.e.g change in technology and fashion.

(v) Dynamic – business environment keeps on changing.

(vi) Complex – it is difficult to know the extent of impact of the changes that the factors can bring in.

(vii) Relative – business environment is a relative concept as it differs from country to country, region to region.

3. IMPORTANCE OF BUSINESS ENVIRONMENT:

(i) Identify the opportunities and getting the first mover advantage – by being aware of the changes in business environment, enterprises can identify opportunity and strategize ways to capitalize on them.

(ii) Identify threats and early warning signals – environment scanning helps in detecting possible threats in future.

(iii) Basis for planning and policy for formulation – identification of threats and opportunity serves as basis for deciding the future course of action.

(iv) Tapping use full resources – the resources are required to carry on a successful business enterprise. These have to be procured from the business environment.

(v) **Helps in coping with rapid changes** – turbulent markets, less brand loyalty, divisions and sub-divisions (fragmentation) of markets, more demanding customers, rapid changes in technology and intense global competition combined with complex business environment calls for a flexible planning to cope with the changes.

(vi) **Improvement in organization performance**- continuous and constant monitoring and adapting suitable business practices result in improved business performance.

4. **DIMENSIONS OF BUSINESS ENVIRONMENT:**

The various dimensions of business environment in terms of general environment are:



Economic Environment:

Refers to all those forces that have economic impact on the business activity components of economic environment are GDP, Inflation rate, interest rate, Rupee value, stock exchange index, tax rate

Political environment: includes political conditions such as political leadership, political stability, and practices of the ruling party, nature and extent of government interference, international relations.

Legal environment : refers to the framework of laws and various legislations within which the business activities take place

Components of legal Environment are Government legislation, court judgments, Decision of various commissions.

Social Environment: represents the customs and traditions, values, culture, social trends, beliefs, norms and ethics of a society in which business enterprises operate.

Components of social Environment are customs traditions, social expectations, lifestyles, values, literacy level

Technological Environment: refers to the influence of the changes in the technology on the business environment.

Components of Technological Environment: new methods and techniques of business operations, scientific improvements and innovations,

As a part of economic reforms the Government of India announced New industrial policy in July 1991 which emphasized on three major elements which were:

- **Liberalization** – from the clutches of licensing policy. Therefore, removal of entry and growth restrictions on the private sector enterprises.
- **Globalization** – encouragement of foreign private participation in industrial development. This step mainly intended at integrating the national economy with the world economy through the removal of barriers on international trade and capital movements.
- **Privatization** - drastic reduction in the role of public sector. Future it aimed at transfer of ownership, management and control of the public sector enterprise to the private sector.

The new industrial policy aimed at created a more competent environment in the economy so as to strengthen the process of industrialization. Its features are as follows

- Delicensing of all projects except six industries
- Decreased role of public sector to merely 4 industries
- Disinvestment: selling of a part or whole of the shares of the public sector undertaking
- Liberalization of Foreign capital
- Setting up of foreign Investment board (FIPB)
- Liberal policy for technical collaborations

IMPACT OF GOVERNMENT POLICY CHANGES ON BUSINESS AND INDUSTRY:

- Increase in competition
- Demanding customers
- Technical changes and increased investment in R and D
- Necessity of change
- Development of human resource
- Market orientation
- Loss of budgetary support to the public sector.

VALUE BASED QUESTIONS.

Q.1. Bhupesh , a manager of the firm always takes into account the changes taking place in business environment while determining plans he accepts changes readily and gives useful suggestions to his superiors. he enjoys cordial relations with his co workers and make plans in consultations with his team to achieve organisational goals.which values are exhibited by bhupesh?

Ans. Value points.

- Adaptability
- Receptive of new ideas.
- Dynamic/futuristic approach.
- Initiative.
- Teamwork/ participative leadership.

Q.2. In recent times the Govt. has increased the prices of diesel and LPG. Which values is being overlooked here?

ans.

- Fall in standard of living.
- Increase in domestic expenditure.

CHAPTER-4 PLANNING

CONCEPT SUMMARY

Meaning – It is the process of setting objectives and targets for a given time period and formulating an action plan to achieve them effectively and efficiently. It concerns itself

With both ends and means that is what is to be done and how it is to be done.



Definition -

“Planning seeks to bridge the gap between where we are and where we want to go. Planning is a trap to capture the future.

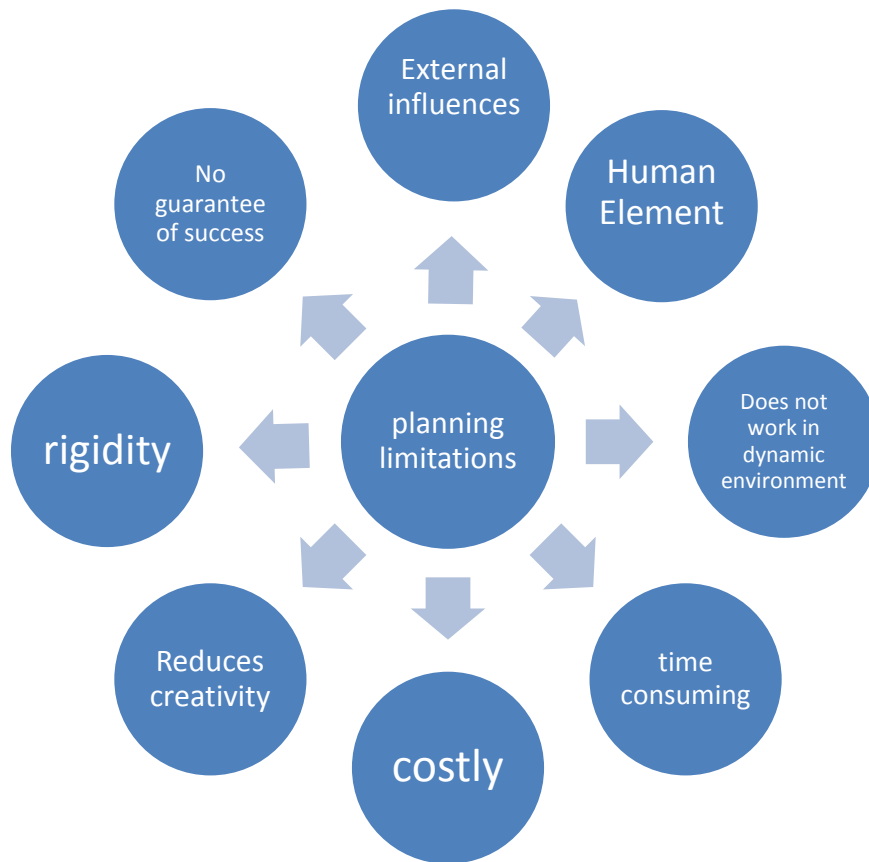
Importance of planning

- i) Provides direction – By stating in advance the future course of action of what is to be done and how it is to be done. By stating in advance it facilitates unity of direction.
- ii) Reduces the risk of uncertainty – By predicting future events and preparing the organization to anticipate the future and face unexpected events.
- iii) Facilitates decision making- planning helps the manager to look into the future and make a sound judgment or choice from among the various alternatives.
- iv) Reduces overlapping and wasteful activities- Through elimination and minimization of useless and redundant activities facilitates clarity.

- v) Promotes innovative ideas- through better new methods, ideas and procedures to reach the objectives and goals of the enterprise. It induces the management to predict the changes in the environment and accordingly plan the strategies for the same.
- vi) Establishes standard for controlling- “control is blind without planning.” It help provides standard against which the actual performance are compared and evaluated to estimate the deviations.

Limitations of planning:

- a) planning does not work in a **dynamic environment**- planning also has to work amidst the influence of external environment which can render even the most effective plan inoperative.
- ii) Planning is a **time consuming** process as it requires collection of information, its analysis and interpretation. It becomes a difficult exercise in times of unexpected emergencies.
- iii) It involves huge cost in its formulation. As a lot of money needs to be expended in the collection, analysis and interpretation of data
- iv) It creates rigidity in the mode of functioning. As the employees are required to function as per the dictates of the predetermined policy.
- v) It does not guarantee success, as a wrong or a misconceived plan or a well-drawn plan when not implemented can lead to failure.
- vi) It reduces creativity as the middle level managers and the other decision makers have to only follow and are not allowed to deviate from the plans.
- vii) The human element can give way to errors or mistakes through wrong assumption.
- viii) It is prone to external influence which can reduce its impact like natural calamity, technology changes, policy changes, competition.



Steps in planning process

i) setting up objectives: The process begins with identifying and setting up of objective.

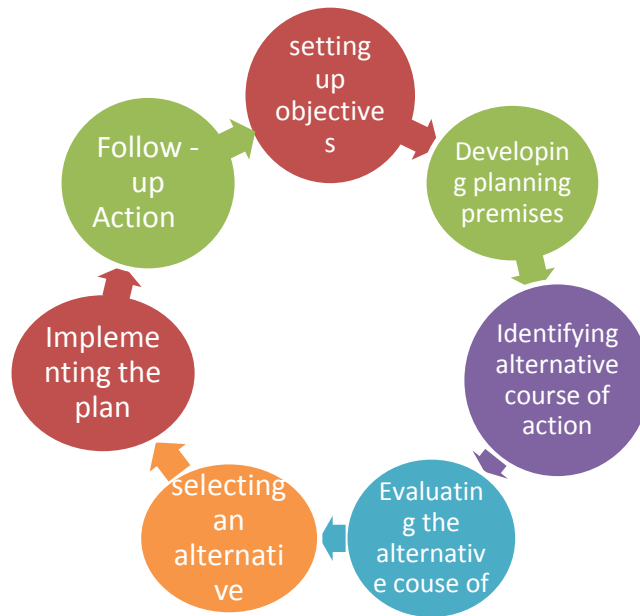
It determines where to reach. The organizational objectives arrived at should be measurable, understandable, clear and attainable.

ii) Developing planning premises- premises involve making assumptions relating to future conditions. It provides relevant facts and information relating to future conditions. Hence sound estimates or forecast need to be made.

iii) Identifying alternative course of action: The planner now arrives at the various alternatives for performance of a task and evaluates the probable consequence of each option.

iv) Evaluating the alternative course – The positive and negative impact each option in light of cost, risk and benefits is worked out.

- v) **Selecting the best alternative** – this is actually the stage of decision making where the most suitable course of action is selected. The selected alternative is obviously the one which is most feasible, profitable and has least negative impact.
- vi) **Implementing the plan:** The plan is transformed into action by activating the other managerial function involving organizing various resources and securing cooperation and participation of other members of the organization.
- vii) **Follow up plan:** This final culminating step involves reviewing the existing plan for its relevance and effectiveness.



Types of plans:

- (A) **Standing or Repeatedly used plans:** As their name indicates that these plans are formulated once and they are repeatedly used. These plans continuously guide the managers. That is why it is said that a standing plan is a standing guide to recurring problems. These plans include:
1. Objectives
 2. Strategies
 3. Policies
 4. Procedures
 5. Methods and
 6. Rules
- (B) **Single – use special or Adhoc plans:** These plans are connected with some special problem. These plans end the moment the problems are solved. After having been used once there is no importance of these plans and in future, whenever they are needed they are re-created. These plans include
1. Budget and
 2. Programme.

Differences between standing and single- use plans

Basis	Standing plans	Single –use plans
1. period	These plans are formulated for a long period	These plans for a short Period and are repeatedly formulated in case of need.
2.object	These plans are formulated to bring uniformity in decisions	These plans are designed to run successfully some particular activities
3.Types	They are of six type's i. objectives ii. Strategies iii. Policies iv. Procedures v. methods and vi. Rules	They are of two type's i. Budgets and ii. Programmes
4.scope	They guide the managers in particular matters like price policy and sales policy	These plans guide in Matters of daily routine.
5.Basis	They are based on the main objectives of the organization	They are based on the standing plans of the organization.

1) Objectives – Are the ends which the management seeks to achieve by its operation.

- Represent the end point of management.
- Set by top management.
- Defines the future state of affairs.
- Guides the overall business planning.
- Can be expressed in specific terms. They can be measured.

2) Strategy – provides broad shape of organization's business, refers to the future objective, adoption of a particular course of action and allocation of resources.

3) Policies – are general statements which guide thinking in decision making.

- They are based on objectives.
- They guide managerial action and decisions.
- They exist at all levels and departments of the organization.

4) Procedures- Are a chronological sequence of routine steps on how to carry an activity.

They detail the exact manner in which the work is to be performed.

- It is meant for the insiders to follow.
- Policies and procedures are interlinked.

5) Rules – Are specific statements that inform what is to be done.

- Reflects managerial decision.
- Simplest plan.
- They are to be enforced rigidly.

- 6) **Methods** – Are standardized ways or manners in which a task has to be performed considering the objectives.
- 7) **Programmes** – detailed statements which are combination of goals, policies, procedures, rules tasks, human and physical resources required and the budget to implement any course of action. All these plans together form a Programme.
- 8) **Budget** – Is a statement of expected results expressed in numerical terms for a definite period of time in the future.
- It quantifies future facts and figures.
 - Serves as a standard for measuring actual performance.
 - It is prepared for various groups of activities.

VALUE BASED QUESTIONS.

Q.1. In a visit to restaurant, some youngsters were found smoking in spite of sign board indicating “no smoking zone”.

Suggest the values which will help the youth to become responsible citizens of the nation.

- **Obedience**
- **Self-discipline**
- **Concern of health of other people.**
- **Respecting the law of the land.**

Q1. The CEO of XYZ Ltd. an automobile enterprise dreams of his company becoming the best player in future, for which he sets the objectives, forecasts the future and develops various courses of action.

i) Identify the management function which is highlighted here. ii) What are the various values the CEO is striving to achieve?

i) Planning is the Management function

ii) The values the above mentioned paragraph highlight are:

- a) Hard work helps individuals to turn their dreams into reality
- b) Initiative, confidence, commitment

Q2. What values does planning emphasize by reducing wasteful activities and establishing standards?

- i) Social responsibility
- ii) Empathy, Harmony
- iii) Motivation,
- iv) Cooperation

3. “Planning is a mental exercise”. What human value is being Emphasized?

Ans. Adaptability
Team spirit,
Sense of judgement.

1. “Planning reduces creativity”. What value is violated in this statement?

Ans.: Initiative,
Motivation,

CHAPTER -5 ORGANISING

CONCEPT SUMMARY

Organizing is the process of defining and grouping, activities and establishing authority relationship among them.

Process: the process of organizing consists of the following steps:

- A. **IDENTIFICATION AND DIVISION OF WORK**– identifying and dividing the total work to be done into small & manageable activities/job.
- B. **DEPARTMENTALIZATION** –grouping of related jobs into larger units called department/divisions
- C. **ASSIGNMENT OF DUTIES**- Allocation of work to the members of each department according to their skills and competencies
- D. **ESTABLISHING REPORTING RELATIONSHIPS**– each individual to know from whom he has to take orders and to whom he is accountable

IMPORTANCE: organizing is considered important because it leads to division of work, clarity in reporting relationship, optimum utilization of resources, growth, better administration and greater creativity.

ORGANIZATIONAL STRUCTURE is the framework within which managerial and operating tasks are performed. It can be functional or divisional.

SPAN OF MANAGEMENT Is the number of subordinates under a superior.

FUNCTIONAL STRUCTURE groups activities on the basis of functions. The advantages of such a structure are:

- 1) Specialization
- 2) Better control
- 3) managerial efficiency
- 4) Ease in training employees.

THE DISADVANTAGES ARE:

- 1) Functional empires
- 2) Conflict of interest
- 3) Inflexibility
- 4) Restriction in managerial development

DIVISIONAL STRUCTURE groups activities on the basis of product. The advantages are:

- 1) Integration
- 2) Product specialization
- 3) Greater accountability
- 4) Flexibility
- 5) Better coordination
- 6) More initiative

THE DISADVANTAGES ARE:

- 1) Departmental conflicts
- 2) Costly process
- 3) Ignoring of organizational interests
- 4) Increase in requirements of general managers.

FORMAL ORGANIZATION is designed by the management to achieve organizational goals. Its advantages are fixation of responsibility, clarity of roles, and unity of command and effective accomplishment of goals. Its disadvantages are procedural delays, inadequate recognition of creativity, limited in scope.

INFORMAL ORGANIZATION arises out of interaction among people at work. Its are speed, fulfillment of social needs, fills inadequacies of formal structure. Its disadvantages are disruptive force, resistance to change and priority to group interests.

DELEGATION is the transfer of authority from superior to subordinate. It has three elements: Authority, responsibility and accountability. Importance of delegation is that it helps in effective management, employee development, motivation, growth and coordination.

DECENTRALIZATION is delegation of authority throughout the organization. Importance of decentralization is that it helps in development of managerial talent, quick decision making burden on top management, development of initiative, growth and better control.

Value based questions

- 1. The Informal Organization is used primarily for spreading rumors .Its existence cannot be removed .What values should be imbibed to make the Informal Organization effective and useful?**
 - (a) Mutual understanding
 - (b) Empathy.
 - (c) Caring..
- 2. An Organization should allocate work to employees who are best suited for the job. In practice it is not so, most business organizations are dominated by fresh engineers, B-school graduates. Experience persons are not given preference in the present scenario. What values are missing in these kinds of job allocation? Give suggestions.**
 - (a) Recognition
 - (b) Respect for seniority..

A manager, no matter how capable he / she is, cannot manage to do every task on his/her own. Effective delegation reduces his/her workload .Though work is delegated he/she is still accountable.

What values does accountability bring in?

- (a) Responsibility
- (b) Answerability.
- (c) Cooperation

CHAPTER-6

STAFFING

CONCEPT SUMMARY

MEANING OF STAFFING :

Staffing has been described as the managerial function of filling and keeping filled, the positions in an organization structure. Staffing is identifying the requirement of workforce followed by recruitment, selection, placement, promotion, appraisal and development of personnel, to fill the roles designed into the organization structure.

NEED AND IMPORTANCE OF STAFFING:

In any organization, there is a need for people to perform work. The staffing function of management fulfills this requirement and finds the right people for the right job. The staffing function has assumed greater importance these days because of rapid advancement of technology, increasing size of organization and complicated behavior of human beings. The ability of an organization to achieve its goals depends upon the quality of its human resources.

STAFFING AS A PART OF HUMAN RESOURCE MANAGEMENT:

Staffing is a function which all managers need to perform. It is a separate and specialized function and there are many aspects of human relations to be considered.

It is the responsibility of all managers to directly deal and select people to work for the organization. When the manager performs the staffing function his role is slightly limited. In small organizations managers may perform all duties related to employees' salaries, welfare and working conditions.

But as organizations grow and number of persons employed increases, a separate department called the human resource department is formed which has specialists in the field to manage people. Human resource management includes many specialized activities and duties which the human resource personnel must perform.

STAFFING AS A PART OF HUMAN RESOURCE MANAGEMENT (HRM)

Human resource management (HRM) includes many specialized activities and duties which the human resource personnel must perform. These are:

- 1) Recruitment, i.e., search for qualified people.
- 2) Developing compensation and incentive plans.
- 3) Training and development of employees for efficient performance and career growth.
- 4) Handling grievances and complaints.
- 5) Providing grievances and complaints
- 6) Providing for social security and welfare of employees.
- 7) Defending the company in laws suits and avoiding legal complications etc.

IMPORTANCE OF STAFFING

The right people can help to take a business to the top; the wrong people can break the business.

The need for staffing function has assumed greater importance these days because of:

- ✚ Rapid advancement of technology;
- ✚ Increasing size of organization and
- ✚ Complicated behavior of human beings.

The following points highlight the importance of staffing to the organization:

- 1) Obtaining competent personnel
- 2) Higher performance
- 3) Continuous survival and growth
- 4) Optimum utilization of human resources
- 5) Improves job satisfaction and morale of employees

CONCLUSION: staffing is an indispensable function of management. Without it, in an organization, there will be – “Less Work More Play”.

STAFFING PROCESS

1. ESTIMATING MANPOWER REQUIREMENTS

It means estimating the number and types of persons required in the organization in case of starting a new business or expanding the existing business.

Understanding the manpower requirements necessitates-

- ✚ **Workload Analysis:** It would enable an assessment of the number and types of human resources necessary for the performance of various jobs and accomplishment of organizational objectives.
- ✚ **Workforce Analysis:** It estimates the number and type of human resources available. It would reveal whether the organization is under- staffed, over- staffed or optimally staffed.

Recruitment

- Recruitment refers to the process of finding possible candidates for a job or function. It has been defined as the process of searching for prospective employees and stimulating them to apply for jobs in an organization.

Process of Recruitment:

- The various activities involved with the process of recruitment includes
 - (a) Identification of the different sources of labour supply.
 - (b) Assessment of their validity.
 - (c) Choosing the most suitable source or source, and
 - (d) Inviting applications from the prospective candidates, for the vacancies

SOURCES OF RECRUITMENT:

- 1) Internal sources
- 2) External sources

INTERNAL SOURCES:

- **Transfers:** It involves shifting of an employee from one job to another, one department to another or from one shift to another, without a substantive change in the responsibilities and status of the employee
- **Promotions:** Promotion leads to shifting an employee to a higher position, carrying higher responsibilities, facilities, status and pay. Promotion is a vertical shifting of employees

MERITS OF INTERNAL SOURCES:

- Employees are motivated to improve their performance
- Simplifies the process of selection and placement
- Transfer is a tool of training the employees to prepare them for higher jobs.
- Shifting workforce from the surplus departments to those where there is shortage of staff
- Cheaper as compared to getting candidates from external sources.

LIMITATIONS OF INTERNAL SOURCES:

- When vacancies are filled through internal promotions, the scope for induction of fresh talent is reduced.
- Employees may become lethargic if they are sure of time bound promotions
- Enterprise cannot use internal sources of recruitment.
- Spirit of competition among the employees may be hampered.

Frequent transfers of employees may often reduce the productivity of the organization

EXTERNAL SOURCES:

- 1) **Direct Recruitment:** The direct recruitment, a notice is placed on the notice board. Of the enterprise specifying the details of the jobs available. Job seekers assemble outside the premises of the organization on the specified date and selection is done on the spot recruitment.
- 2) **Casual callers:** organizations keep a database of unsolicited applicants in their offices. Such jobseekers can be a valuable source of manpower. A list of such jobseekers can be prepared and can be screened to fill the vacancies as they arise.
- 3) **Advertisement:** The advantage of advertising vacancies is that more information about the organization and job can be given in the advertisement. Advertisement gives the management a wider range of candidates from which to choose. Disadvantage is that it may bring in a flood of response, and many times, from quite unsuitable candidates.

EMPLOYMENT EXCHANGE: Employment exchanges run by the government are regarded as a good source of recruitment for unskilled and operative jobs. Disadvantage is that it may be up-to-date and many of the candidates referred by them may not be found suitable.

➤ **Placement Agencies and Management Consultants:**

These provide a nationwide service. These agencies compile bio data of a large number of candidates and recommend suitable names to their clients. Such agencies charge fee for their service and they are useful.

CAMPUS RECRUITMENT: Organizations maintain a close liaison with the universities. Vocational schools and management institutes to recruit qualified personnel for various jobs

RECOMMENDATIONS OF EMPLOYEES: Applicant introduced by present employees, or their friends and relatives may prove to be a good source of recruitment. Such applicants are likely to be good employees because their background is sufficiently known

- **Labour Contractors:** workers are recruited through labour contractors who are themselves employees of the organization. The disadvantages of this system are that if the contractor himself decides to leave the organization, all the workers employed through him will follow suit.
- **Advertising on Television:** Generally advertised through television and newspaper the detailed requirements of the job and the qualities required to do it are publicized along with the profile of the organization where vacancy exists.
- **Web Publishing:** There are certain website specifically designed and dedicated for the purpose of providing information about both job seekers and job opening.

Merits of External Source:

- Qualified personnel
- Wider Choice
- Fresh Talent
- Competitive Spirit

Limitations of External Sources:

- Dissatisfaction among existing staff
- Lengthy process
- Costly process

Selection:

- Selection is the process of identifying and choosing the best person out of a number of prospective candidates for a job. Towards this purpose, the candidates are required to take a series of employment tests and interviews.

Process of selection:

- **Preliminary Screening:** Preliminary screening helps the manager eliminate unqualified or unfit job seekers based on the information supplied in the application forms.
- **Selection Tests:** An employment test is a mechanism (either a paper and pencil test or an exercise) that attempts to measure certain characteristics of individuals. These characteristics range from aptitudes, such as manual dexterity, to intelligence to personalities.
- **Important Tests Used for Selection of Employees**

- Intelligence Tests
- Aptitude Test
- Personality Test
- Trade Test
- Interest Test
- **Employment Interview:** The role of the interviewer is to seek information and that of the interviewee is to provide the same. Though, in present times, the interviewee also seeks information from interviewer.
- **Reference and Background Checks:** Many employers request names, addresses, and telephone numbers of references for the purpose of verifying information and, gaining additional information on an applicant.
- **Selection Decision:** The final decision has to be made from among the candidates who pass the tests, interviews and reference checks.
- **Medical Examination:** After the selection decision and before the job offer is made, the candidate is required to undergo a medical fitness test. Fit candidates are given the job.
- **Job offer:** Job offer is made through a letter of appointment/confirm his acceptance. Such a letter generally contains a date by which the appointee must report on duty.
Basic information that should be included in a written contract of employment will vary according to the level of the job, but the following checklist sets out the typical headings: Job Title, Duties, Responsibilities, Date when continuous employment starts and the basis for calculating service, rates of pay, allowances, hours of work, leave rules, sickness, grievance procedure, disciplinary procedure, work rules, termination of employment

Training And Development:

Training and Development is an attempt to improve the current or future employee performance by increasing an employee's ability to perform through learning, usually by changing the employee's attitude or increasing his or her skills and knowledge.

Benefits to the Organisation:

- Wastage of efforts and money is minimized.
- Leading to higher profits.
- Increases employee morale and reduces absenteeism and employee turnover.
- It helps in obtaining effective response to fast changing environment.

Benefits to the Employee:

- Improved skills and knowledge
- Increased performance and help in earning more money.
- Training makes the employee more efficient.
- Training increases the satisfaction and morale of employees.

Training, Development and Education:

- **Training:** Is any process by which the aptitudes, skills and abilities of employees to perform specific jobs are increased. It is a process of learning new skills and application of knowledge. It attempts to improve their performance on the current job or prepare them for any intended job.

- **Education:** Is the process of increasing the knowledge and understanding of employees. It is the understanding and interpretation of knowledge. It does not provide definite answers, but rather develops a logical and rational mind that can determine relationships among pertinent variables and thereby understand a phenomenon
- **Development:** refers to the learning opportunities designed to help employees grow. It covers not only those activities job performance but also those which bring about growth of the personality, help individuals in the progress towards maturity and actualization of their potential capacities so that they become not only good employees but better men and women.

Value based question

1. A company proposes a salary structure in its advertisement, but later follows completely different salary structure i.e. less than quoted. What kind of reactions will it evoke? Mention the values ignored

- (a) Honesty
- (b) Trust.
- (c) Commitment.8.

Q2 Transfer is used as a tool to threaten employees. Is it a right attitude? What values are ignored?

- (a) Democracy
- (b) Empathy.
- (c) Motivation.9.

Q3. Campus Recruitment is a good source of recruitment. But there is a wide difference in their salary structure, when compared to others who are appointed through other sources. List the values ignored here.

- (a) Honesty
- (b) Trust.
- (c) Equality.

CHAPTER -7

DIRECTING

CONCEPT SUMMARY

- **Meaning of Directing:** It refers to instructing, guiding, communicating and inspiring people in the organization.
- **Importance of Directing:**
 - 1) It initiates action
 - 2) It integrates employees' efforts.
 - 3) It is the means of motivation.
 - 4) It facilitates implementing changes.
 - 5) It creates balance in the organization.
- **Functions of a supervisor:**
 - 1) Facilitates control
 - 2) Optimum utilization of resources
 - 3) Maintenance of discipline
 - 4) Feedback
 - 5) Improves communication
 - 6) Improves motivation
- **Motivation – Motivation** process of stimulating people to accomplish desired goals. It depends up on satisfying the needs of people.
- **Maslow's Hierarchy of Needs:**-According to Maslow, man does every work to satisfy his need. A man has various needs and their order can be determined. The needs of a human being serve as a motivation for him. On the basis of priority human needs can be divided into five parts
 - 1) Physiological needs
 - 2) Safety needs
 - 3) Affiliation or social needs
 - 4) Esteem needs
 - 5) Self- actualization needs.
- **Financial or Monetary Incentives:** financial incentives are those incentives which are evaluated in terms of money. These are helpful to satisfy physiological and safety evaluated in terms of money. These are helpful to satisfy physiological and safety need. It includes the following
 - 1) Pay and allowances
 - 2) Productivity-linked wage incentive
 - 3) Bonus
 - 4) Profit sharing
 - 5) Co-partnership
 - 6) Suggestions
 - 7) Retirement benefits
 - 8) Perquisites

- **Non- financial or Non- monetary Incentives:** Non-financial are not directly related with money. These incentives help in the satisfaction of top hierarchy needs like social, esteem and self- actualization. It includes the following
 - 1) Status
 - 2) Organizational climate
 - 3) Career advancement opportunity
 - 4) Job enrichment
 - 5) Employee recognition Programmes
 - 6) Job security
 - 7) Employee participation
 - 8) Employee empowerment.
- **Meaning of leadership:** It refers to influence others in a manner to do what the leader wants them to do.

Leadership Styles:

1. Autocratic Leadership style:-

(a) **Meaning:** - It refers to that leadership style in which the leader tends to run the show all by him-self.

(b) Characteristics:

- Centralized Authority
- Single – man Decision
- Wrong belief
- Regarding Employee
- Only Downward communications.

(c) Advantages:

- Quick and clear Decision
- Satisfactory work
- Necessary for less Educated Employees

(d) Disadvantages:

- lack of motivation
- agitation by Employees
- possibility of partiality

2. Democratic Leadership Style:-

- **Meaning:** It refers to that leadership style in which the leader consults with his sub ordinates before making any final decisions.
- **Characteristics** :-(i) cooperative Relations, (ii) Belief in Employee ,(iii)open communication.
- **Advantages:** (i) High Morale, (ii) creations of More Efficiency and productivity, (iii) Availability of sufficient Time for Constructive Work.
- **Disadvantages:** (i) Requirement of Educated Subordinates, (ii) Delay in Decisions, (iii) lack of Responsibility in Managers.

3. Laissez-faire or Free-rein Leadership Style:-

(a) Meaning: It refers to that leadership style in which the leader gives his sub ordinates complete freedom to make decisions.

(b) Characteristics

- Full faith in subordinates
- Independent Decision-making system
- Decentralization of Authority
- Self- Directed Supervisory and Controlled

(c) Advantages

- Development of self-confidence in sub ordinates
- High-level motivation
- Helpful in Development and Extension of the Enterprise

(d) Disadvantages

- Difficulty in Cooperation
- Lack of Importance of Managerial Post
- Suitable only for Highly Educated Employees.

Communication: Communication refers to process of exchange of ideas between or among person and creates understanding. Communication process involves the elements of source, encoding, channel, receiver, decoding and feedback.

Formal Communications Refers to all official communications in the form of orders, memos, appeal, notes, circular, agenda, minutes etc.

Informal Communications Are usually in the form of rumors, whispers etc. They are unofficial, spontaneous, unrecorded, spread very fast and usually distorted.

Barriers May exist for effective communications. Some of these barriers include- semantic barriers, organizational barriers, language barriers, transmission barriers, psychological barriers and personal barriers.

Manager should take appropriate measures to overcome these barriers and promote effective communication in the organization such as

Improving communication effectiveness:

- Clarify the ideas before communication
- Communicate according to the needs of receiver
- Consult others before communicating
- Be aware of language
- Convey things of help and value to listeners
- Ensure proper feedback
- Communicate for present as well as future

- Follow up communicate and
- Be a good listeners

Value Based Questions.

Q1. Goodwill Tier manufacturing Co. appoints Mr. Ravi as supervisor of their production department. He is kind and guides his subordinates. He clarifies their doubts in performing the task. This helps the worker to achieve their targets. As a supervisor, what functions will you perform to cope with the situation? What positive values are exhibited by Mr. Ravi?

Help
Motivation
Compassion
Responsible

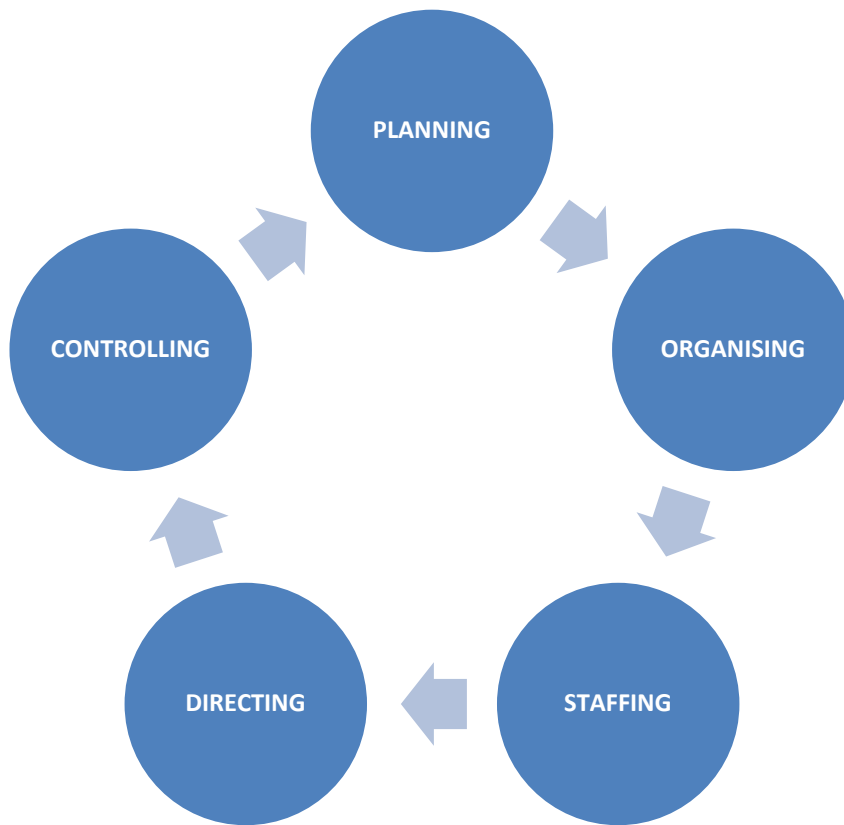
Q2 Mr. Vimal Nath, a sales manager, achieved his sales targets one month in advance. His achievement was displayed on the notice board and a certificate for the best performance was awarded to him by the CEO of the Co. Name the type of incentive offered to the employees. What values can be generated among the workers by adopting this incentive?

ANS. Recognition
Motivation
Sense of appreciation
Encouragement
Inspiration to other workers

CHAPTER-8

CONROLLING

CONCEPTS MAPPING :-



MEANING OF
CONTROLLING

IMPORTANCE OF
CONTROLLING

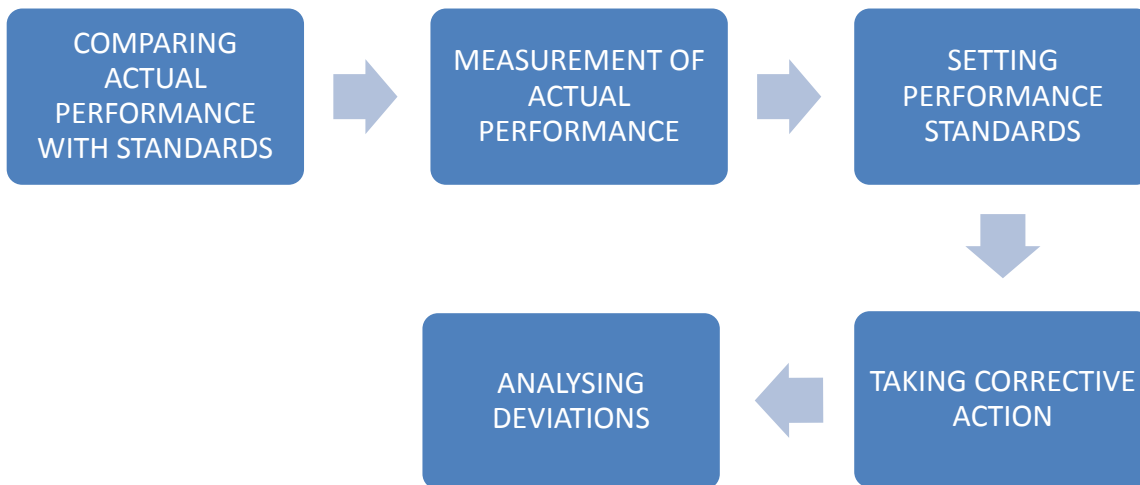
LIMITATIONS OF
CONTROLLING

PROCESS OF
CONTROLLING

RELATIONSHIP
BETWEEN
PLANNING AND
CONTROLLING

NATURE OF
CONTROLLING

PROCESS OF CONTROLLING



- 1. Meaning of controlling:** comparing actual performance with standards and finding deviations if any and taking corrective action.

Actual Performance=Standards=No deviation

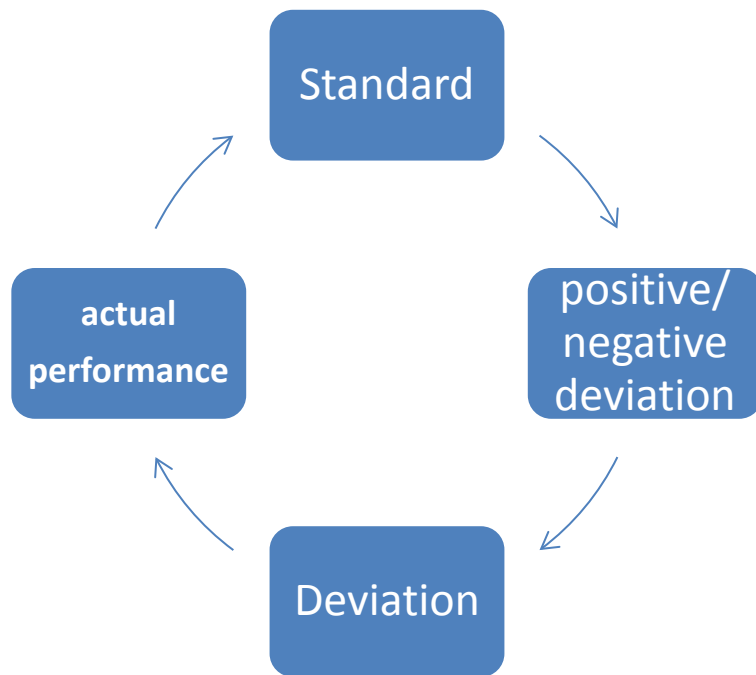
Features /Nature of Controlling:

- Controlling is pervasive
- Controlling is a primary function
- Controlling is a continuous process
- Controlling is a goal oriented function

- 2. Process of Controlling:**

- 1. Setting performance standards:** standards are the criteria against which actual performance would be measured. Standards serve as bench marks. They can be set in both quantitative as well as qualitative.
- 2. Measurement of actual performance:** Performance should be measured in an objective and reliable manner.

- 3. Comparing actual performance with standards:**



4. Analyzing deviations: Major deviation or minor deviation and analyzing the causes of deviation.

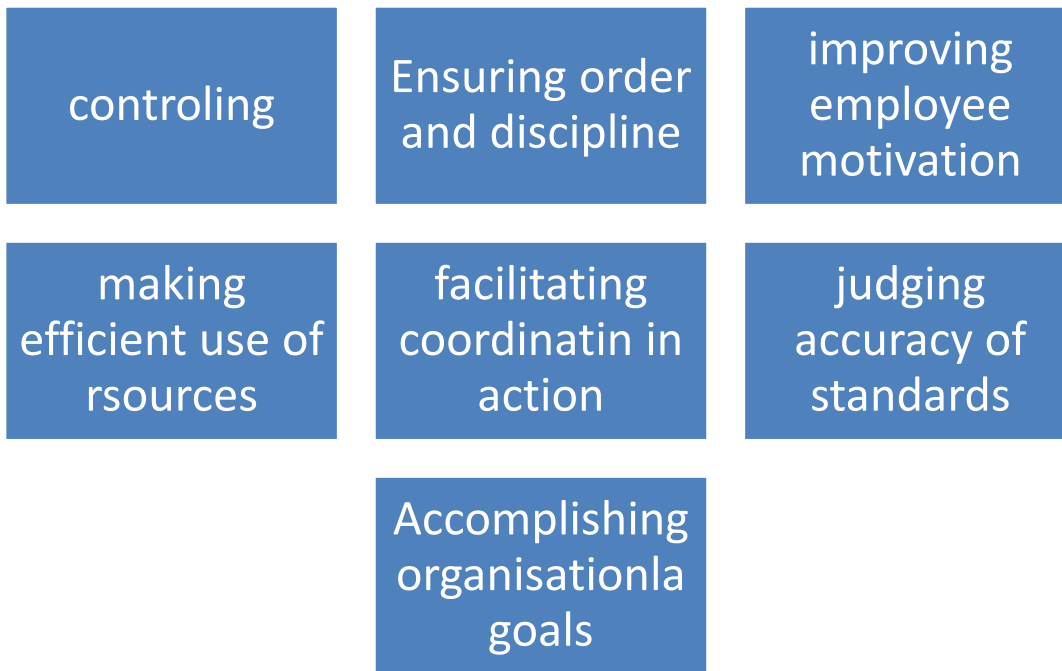
a) Critical point control: Focus only on key Result Areas (KRAs).

b) Management by Exception: Concentrate only on major deviations only.

5. Taking corrective action: when deviations go beyond the acceptable range, especially in the important areas, it demands immediate managerial attention so that deviations do not occur again and standards are accomplished.

Conclusion: In case the deviation cannot be corrected through managerial action, the standards may have to be revised.

IMPORTANCE OF CONTROLLING



RELATIONSHIP BETWEEN PLANNING AND CONTROLLING:

- Planning and controlling are inseparable twins of management. Planning initiates the process of management and controlling completes the process. Plans are the basis of control and without control the best laid plans may go astray.
- Planning is clearly a prerequisite for controlling. It is utterly foolish to think that controlling could be accomplished without planning
- Planning is prescriptive and controlling is evaluative
- It is often said that planning is looking ahead while controlling is looking back. However, the statement is only partially correct. Plans are prepared for future and involve looking ahead. On the contrary, controlling is like a postmortem of past activities to find out deviations from the standards. In that sense controlling is a backward looking function. However, it should be understood that planning is guided by past experience and the corrective initiated by control function.

CHAPTER-9

FINANCIAL MANAGEMENT

Financial Decisions

A. Investment Decisions
(Long-term & short-term)

B. Financing Decisions
(Ratio of debt & equity)

C. Dividend Decisions
(Amount of dividend)

A. Long-term Investment/Capital Budgeting Decisions

Factors affecting Capital Budgeting Decisions

1. **Cash flow of the project:** series of cash receipts & payments over the life of an investment should be considered.
2. **The rate of return:** compare the rate of return on different investment projects.
3. **Investment criteria:** *amount to be invested
*Interest rate
*Capital budgeting techniques etc.

B. Financing Decisions: *Determination of source of finance

*Cost of source of finance.

Factors affecting Financing Decisions

- i. **Cost:** *Higher cost of debt → more equity & less debt.
*Low cost of debt → less equity & more debt.
- ii. **Risk :** *More debt → high risk.
*More equity → less risk.
- iii. **Floatation Costs:** *More floatation cost of debt → less debt.
*More floatation cost of equity → less equity.
- iv. **Fixed operating cost:** *More fixed operating cost → less debt.
*Less fixed operating cost → more debt.
- v. **Control considerations:** *less control → more equity.
*More control → more debt.
- vi. **State of capital market:** *Boom → more equity.
*Depression → less equity.

C. DIVIDEND DECISION

Factors affecting dividend decisions

1. Amount of earning: *Higher earning → more dividend
*Lower earning → less dividend.
2. Stability of earnings: *More stable earnings → more dividend
*Less stable earnings → less dividend
3. Growth opportunities: *Higher growth opportunities → less dividend.
*Less growth opportunities → more dividend.
4. Cash flow positions: *Higher cash flow → more dividend.
*Lower cash flow → less dividend.
5. Taxation policy: *higher tax → less dividend
*Lower tax → more dividend.
6. Access to capital market: *More access to capital market → more dividend
*Less access to capital market → less dividend.

FIXED CAPITAL AND WORKING CAPITAL

Fixed Capital: Investment in long-term assets/fixed assets.

Factors affecting Fixed Capital requirement

1. **Nature of the business:** Trading business → less fixed capital required.
Manufacturing business → more fixed capital required.
2. **Scale of operations:** Large scale operations → more fixed capital required.
Small scale operations → less fixed capital required.

3. **Choice of technique:** Labour intensive technique → less fixed capital
Capital intensive technique → more fixed capital.
4. **Growth prospects:** Higher growth prospects → more fixed capital.
Lower growth prospects → less fixed capital.
5. **Diversification:** more diversification → fixed capital requirement increases
Vice-versa.
6. **Business collaboration:** more collaboration with other business reduces the investment in fixed assets.

WORKING CAPITAL/SHORT TERM CAPITAL/OPERATING CAPITAL

= Capital required for holding current assets.

Factors affecting Working Capital requirements

1. **Nature of Business:** Trading business & service industries require less working capital.
2. **Scale of operations:** Higher scale of operation → large working capital.
Lower scale of operation → small working capital.
3. **Business cycle:** During Boom → more working capital required.
During Depression → less working capital required.
4. **Seasonal factors:** In Peak season → more working capital required.
In Off season → less working capital required.
5. **Competition:** Higher competition → requires large stocks → more working capital.
6. **Inflation:** Higher rate of inflation → more working capital requirement.

CAPITAL STRUCTURE: mix of owner's and borrowed fund.

OR

Proportion of debt (borrowed) and equity (owner's)

Factors affecting the choice of capital structure

1. **Cash flow position:** enough cash inflows → more debt capital.
2. **Return on Investment (ROI):** If $ROI > \text{rate of interest on debt}$ → more debt capital.
3. **Cost of debt:** low cost of debt (interest) → more debt capital.
4. **Tax rate:** Higher tax rate → interest will save tax → more debt capital.
5. **Control:** To retain control of shareholders → more debt capital.
6. **Stock market conditions:** during depression → more debt capital.

FINANCIAL LEVERAGE: Proportion of debt in capital structure.

TRADE ON EQUITY: Increase in EPS due to the presence of fixed financial charge like interest.

CHAPTER-10.

FINANCIAL MARKET

FINANCIAL MARKET : Market for the creation and exchange of financial assets

1. **MONEY MARKET**= Deals in short-term instruments (maturity period upto 1year.)
2. **CAPITAL MARKET**= Deals in long-term instruments (maturity period more than1yr.)
 - i. Primary Market (new issue market)
 - ii. Secondary Market (stock market)

PRIMARY MARKET Vs SECONDARY MARKET

Basis	Primary Market	Secondary Market
Nature of securities	New securities	existing securities
Sale of securities	company to investors	between investors
Buying or selling	only buying	buying and selling
Determination of prices by the management of company		demand & supply
Location	no fix geographical location	specified place
Known as	new issue market	stock market

Functions of financial market

1. Mobilize savings into most productive uses

SAVINGS → FINANCIAL MARKET → INVESTORS

2. Facilitates price discovery: * In financial market

* Funds supplied by household

* Funds demanded by business firms

* Forces of demand & supply decides the price of financial assets.

3. Provide liquidity to financial assets: Financial assets can be readily sold and converted into cash as and when required.

4. Reduce the cost of transactions: *Provides common platform to buyers & sellers *Helps to save time, efforts and money.

Methods of floatation(floating new issue)

1. **Offer Through Prospectus:** Company invites public to apply for its securities through issue of prospectus.
2. **Offer for Sale:** Securities issued to → stock brokers → investors.
3. **Private Placement:** Allotment of securities → selected individuals/institutional investors.
4. **Rights Issue:** Company offers new issue to existing shareholders proportionally.
5. **E-IPOs**(electronic initial public offer): Company issues securities to public through online system of stock exchange.

STOCK EXCHANGE: An institution for regulating the trading of securities.

Functions of Stock Exchange

1. **Providing liquidity:** ready market for sale & purchase of existing securities.
2. **Pricing of securities:** determine prices of securities by forces of demand and supply.
3. **Safety of transaction:** Investors get safe and fair deal through stock exchange.
4. **Economic growth:** Disinvestment and reinvestment in most productive manner.
5. **Providing scope for liquidity:** healthy speculation is necessary to ensure liquidity in stock exchange.
6. **Spreading of Equity cult:** ensuring wider share ownership by better trading practices.

TRADING PROCEDURE ON A STOCK EXCHANGE

(Electronic Trading System)

1. Selection of Broker: Broker will buy/sell securities on behalf of investor.
2. Opening Demat Account with NSDL/CDSL for holding the securities in electronic form.
3. Placing the Order with the broker through phone or e-mail.
4. Executing the order by the broker i.e. buy/sell of securities.
5. Settlement: The last stage in the trading of securities on the basis of T+2 settlement period.

Demat Account: Shares converted into dematerialised form are held in a Demat account as an electronic entry.

Depository: NSDL, CDSL

SECURITIES AND EXCHANGE BOARD OF INDIA (SEBI)

Objectives of SEBI

- i. To regulate stock exchanges
- ii. To protect rights and interest of investors.
- iii. To prevent trading malpractices.
- iv. To develop and regulate a code of conduct for intermediaries.

Functions of SEBI

1. Regulatory functions
 - i. Registration of brokers & sub-brokers.
 - ii. Registrations of mutual funds.
 - iii. Regulation of brokers, merchant bankers and stock exchanges.
 - iv. Conducting inquiries and audits of stock exchanges.
 - v. Exercising power under securities Act 1956
2. Development functions
 - i. Training of intermediaries.
 - ii. Conducting research.
 - iii. Taking measures to develop the capital market.
3. Protective functions
 - i. Taking steps for investor protection.
 - ii. Controlling insider trading.
 - iii. Prohibits unfair trade practices.
 - iv. Check on price rigging.

CHAPTER-11
Marketing Management

Market = Actual + Potential buyers.

Marketing management

= Selection of target market → Create demand → create superior Values

Marketing Vs Selling

<i>Basis</i>	<i>Marketing</i>	<i>Selling</i>
Scope	wider	limited
Focus	customer satisfaction	increase in sales
Starting point	before production	after production
End point	continue even after sale	ends with the sale
Demand	creation of demand	existence of demand

Marketing management philosophies

1. Production Concept:- Mass production
 - Reducing production cost
 - improving production & distribution

2. Product Concept: - improvement in quality & features of the product
 - superior product at reasonable price

3. Selling concept: - selling by hook or crook
 - Aggressive sale promotion techniques are used

4. Marketing concept: - Identification of target market
 - Understanding their needs and wants
 - Developing products or services better than competitors
 - Doing all this at profit

5. Societal marketing Concept: - extension of marketing concept
customer satisfaction + welfare of customer & society

MARKETING MIX: Combination of marketing tools/elements

ELEMENTS OF MARKETING MIX

A Product mix	B Price mix	C Place mix	D Promotion mix
. Product	. Price level	. Channel selection	. Advertising
. Branding	. Pricing policy	. Physical distribution	. Personal selling
. Packaging			. Sales promotion
. Labelling			. Publicity
			. Public Relations

PRODUCT - Goods or services

- Anything of value
- offered to the market for exchange.

BRANDING - giving a name, sign or symbol to a product
 -increases the reputation and goodwill of the firm
 -generates repeat sales.

BRAND - is a name, sign or design
 -to identify a product
 -ex. Bata, Parker, Lux

BRAND NAME -part of a brand which can be spoken
 -ex. Maggie, Nike

BRAND MARK -part of a brand which cannot be spoken.

-sign, symbol or design
 MICROMAX

-ex. Two elephants of FEVICOL, punch mark of

TRADE MARK - part of a brand that gives legal protection

-registered brand

Advantages of Branding

To Marketers

- Helps in product differentiation
- Helps in advertising
- Ease in introduction of new product

To Customers

- Helps in product identification
- Status symbol
- Ensures quality

Characteristics of good brand name

- Simple & easy to pronounce
- Suggestive
- Distinctive
- Adaptable
- Versatile
- Legal protection

PACKAGING: Designing and producing the container or wrapper of a product.

Functions of Packaging

- Product identification:** Red label Tea can be easily identified from its attractive Red colour packaging.
- Product protection:** Airtight containers protects the product from moisture.
- Facilitating use of the product:** Pet bottle of Pepsi is convenient to store and transport.
- Product Promotion:** Packaging acts as a silent salesman.

It promotes the product and its sale
 Attracts attention of the customers

Packaging plays an important role in the self-service stores.

LABELLING: Process of attaching or putting labels on the product.

LABEL: A small slip or a tag which carries information about the product or the seller such as nature, contents, price, date of manufacturing and expiry, instructions for use etc.

PRICE: Amount of money paid by a buyer in exchange of product or services.

Factors Affecting Price Determination

1. **Product Cost:** Total Cost = Fixed Cost + Variable Costs + Semi Variable Cost;
More cost, higher prices;
Less cost, less prices.
2. **Utility & Demand of the product:** More utility, higher price and vice-versa;
Elastic demand, less price;
Inelastic demand, higher price.
3. **Competition:** More competition, higher prices may be charged and vice-versa.
4. **Government & legal regulations:** To protect public interest, price is also affected by price control by the government.
5. **Pricing objectives:** If the firm aims to maximised profit in short-run, it will fix maximum price. If the firm aims to capture larger market share, it will fix lower price.
6. **Marketing methods used:** Pricing decisions are also affected by:-
Distribution channel used,
Mode of advertising,
Sales promotion efforts,
After sales services,
Packaging etc.

PLACE/PHYSICAL DISTRIBUTION: Includes all the activities needed to make the goods/services available at the right place, in right quantity and at the right quantity.

Types of channels

1. Direct channel= Manufacturer → Consumer
Ex. Door to door selling.
Internet selling
Telemarketing
Company owned retail shop.
2. Indirect channel
 - i. One level (Zero level) = Manufacturer → Retailer → Consumer
 - ii. Two level = Manufacturer → Wholesaler → Retailer → Consumer
 - iii. Three level = Manufacturer → Agent → Wholesaler → Retailer → Consumer

PROMOTION: Includes all the activities needed to persuade/encourage the customers to buy the products.

ELEMENTS OF PROMOTION MIX

- I. Advertising
- II. Personal selling

- III. Sales promotion
- IV. Public relation

ADVERTISING: *Paid form of non-personal presentation and promotion of goods and services by an identified sponsor.*

Merits of advertising

- I. Mass reach: Large number of people can be reached over a vast geographical area.
- II. Enhancing Customer satisfaction and confidence: customers feel more comfortable and assured about the product quality.
- III. Expressiveness: with the use of graphics and multimedia message becomes more expressive & effective.
- IV. Economy: Total advertising cost is divided over a large number of people.

OBJECTIONS TO ADVERTISING

1. Adds to cost:

For –unnecessarily increases the price & the cost of production.

Against–creates large number of potential buyers

Lead to mass production

Reduces per unit cost of production.

2. Undermines social values:

For–Promotes materialism

Multiplies the needs of people.

Against–Helps buyers, informing about new products.

Final choice to buy or not depends on consumers.

3. Confuses the buyers:

For – Each brand claims to be the best brand hence confuses the buyers.

Against – advertising only offers alternatives and wide choice.

4. Encourages sale of inferior products:

For–advertising does not distinguish between superior and inferior products.

Against – inferiority or superiority of a product depends on the economic status and choice of the customers.

5. Some advertisements are in bad taste:

For – some advertisement hurts ethical and social values.

Against – aims to create demand and not to convey bad message.

Conclusion: It is not a social waste; rather it adds value and generate employment.

PERSONAL SELLING: Direct face to face communication between seller and buyer.

Qualities of a Good Salesman

- i. Physical qualities: good health, pleasing personality, tolerance
- ii. Good communication skills
- iii. He should have Knowledge of product, customer and rival products
- iv. Intelligent and presence of mind
- v. Mental qualities : alertness, initiative, imaginative and self confident.
- vi. Social qualities: politeness, social nature, sympathetic, courteous and cooperative.

vii. Enthusiastic and honest.

ADVERTISING Vs PERSONAL SELLING

<i>Basis</i>	<i>Advertising</i>	<i>Personal selling</i>
Communication	Impersonal	Personal
Flexibility	Inflexible	highly flexible
Reach	Mass reach	Reaches to limited people
Cost	cost per person is low	cost per person is high
Message	transmits uniform message	message is not uniform
Feedback	No direct feedback	immediate feedback
Medium	T.V. newspaper, internet	personal selling

SALES PROMOTION: *Short term incentives
*To encourage the buyers
*To make immediate purchase of a product/services

SALES PROMOTION TECHNIQUES

1. **Rebate:** *Offer the product at a price less than the original price.
*Ex. Coke co. offers to sell its 600ml bottle at Rs.30 instead of Rs.35
2. **Discount:** *Offering products at less than list price.
*Ex. Discount of 50% off at Big Bazaar.
3. **Refunds:** *A part of the price is refunded to the customer.
*Ex. Refund cash Rs.300 on purchase of Rs. 2,500.
4. **Product combinations:** *Offering a free gift along with the main product.
*Ex. 4GB memory card free with mobile phone.
5. **Quantity gift:** *Offering extra quantity as a gift.
*Ex. Buy 3 get 1 free.
6. **Free sample:** *To launch new product
*Offer free sample to potential customers.

PUBLIC RELATIONS (PR) : Deliberate, planned & continuous efforts to establish mutual understanding between organization and public.

ROLE/METHODS/TOOLS OF PR

1. **Press relations:** PR department present a correct picture of the co. to the media.
2. **Product publicity:** PR department publicise the new product by arranging seminars & exhibitions.
3. **Corporate communication:** interview with T.V. channels, Speeches of co.'s executive at a meeting of trade associations.
4. **Lobbying:** interactions with govt. officials while formulating industrial policies.
5. **Counselling:** public service activities like planting trees, running schools & hospitals

help in promoting public relations.

PUBLICITY

- I. UNPAID FORM OF COMMUNICATION
- II. NO IDENTIFIED SPONSOR.

CHAPTER- 12

Consumer Protection

Consumer Protection Act 1986

Consumer: any person who buys or consumes goods or services for value.

Consumer protection: To protect the consumers against the unfair trade practices.

Unfair trade practices: Defective goods, Excess charging of prices, deficient services, supply of Hazardous goods, supply of Expiry products, Black marketing & hoarding, fraudulent promises etc.

Consumer Rights

1. **Right to safety:** protection against goods and services hazardous/dangerous to life, health or property.
2. **Right to be informed:** to have complete information about the product / services.
3. **Right to choose:** to choose from variety of goods and services at fair prices.
4. **Right to be heard:** to file a complaint against unfair trade practice and to be heard.
5. **Right to seek redressal:** to get relief or compensation against any exploitation.
6. **Right to consumer education:** to acquire knowledge and skills about their rights and protections.

Consumer responsibilities

1. Use the product safely.
2. Check information on label.
3. Consumer should have knowledge about market.
4. Insist for cash memo & warranty/guarantee cards.
5. Respect the environment.
6. Buy good quality products.
7. Consumer must exercise his rights.

Three-Tier Redressal agencies:

1. *District forum:* * claim does not exceed Rs.20 lakhs.
 - Consumer can file appeal against it with state commission within 30 days.
2. *State commission :** claim exceed Rs.20 lakhs to Rs. 1 crore.
 - Consumer can file appeal against it with National commission within 30 days.
3. *National commission :** claim exceed Rs.1 crore.
 - Consumer can file appeal against it with Supreme court within 30 days.

Reliefs and remedies available to consumers

1. Not to offer hazardous goods for sale.
2. To remove the defect in goods or services.
3. To withdraw/discontinue hazardous goods from the market.
4. To stop manufacturing/production of hazardous goods.
5. To replace defective goods.
6. To refund the price.
7. To compensate for loss/injury.

Quality marks on labels

1. FPO: Food products.
2. ISI: Electrical appliances and pressure cooker
3. BIS/HALLMARK: Jewellery
4. ECOMARK: Environment friendly products.
5. AGMARK: Agriculture products