

# PART A: PRINCIPLES AND FUNCTIONS OF MANAGEMENT

## CHAPTER-1

### NATURE AND SIGNIFICANCE OF MANAGEMENT

#### Topic-1

#### Introduction to Management

- Concepts Covered** • *Concept of management.*  
• *Meaning of Effectiveness and Efficiency.*  
• *Objectives of management.* • *Importance of management.*



#### Revision Notes

- **Management:** Management is a process of planning, organising, staffing, directing and controlling the resources of an enterprise efficiently and effectively for achieving the organizational goals.
- **Effectiveness v/s Efficiency:** Effectiveness is doing the right things whereas efficiency is doing things the right way. Effectiveness is concerned with the end result whereas efficiency means doing the task correctly and with minimum cost.
- **Characteristics of Management:**
  - (i) **Goal-Oriented Process:** Management integrates the efforts of different individuals to achieve organizational goals.
  - (ii) **Dynamic:** Management has to adapt itself and its goals according to the changing needs of the business environment.
  - (iii) **Intangible:** Management cannot be seen but its presence can be felt in the way an organization functions.
  - (iv) **Group Activity:** Diverse members of management work towards fulfilling the common organizational goals.
  - (v) **All Pervasive:** Managerial activities are performed in all types of organizations, across all departments and at all the levels of management.
  - (vi) **Multi-dimensional:** It has three dimensions *viz.* **management of work, people and operations.**
  - (vii) **Continuous Process:** The process of management consists of a series of continuous, composite, but separate functions (planning, organising, directing, staffing and controlling).
- **Objectives of Management**
  - (i) **Social Objectives:** To create economic value consistently for various constituents of a society.
  - (ii) **Organizational Objectives:** Utilizing human and material resources to the maximum possible advantage, which is to fulfill economic objectives of a business *i.e.*, survival, profit and growth.
  - (iii) **Personal Objectives:** Reconcile personal goals with organizational objectives so as to maintain harmony in the organization.
- **Importance of Management**
  - (i) **Helps in achieving group goals:** Gives a common direction to diverse individual efforts.
  - (ii) **Increases efficiency:** Reduces cost and increases productivity.
  - (iii) **Creates a dynamic organization:** Helps people to adjust with the changing environment.
  - (iv) **Helps in achieving personal objectives:** Helps individuals to achieve personal goals along with overall organizational goals.
  - (v) **Helps in the development of the society:** Provides good quality products, generates employment, etc.



#### Amazing Fact

Management is 10% work and 90% people.



#### Mnemonics

**Concept: Features of Management**  
**Go Get IMPortant Data from Computer**

**Interpretations:**

G: **Group Activity**

G: **Goal-Oriented**

I: **Intangible**

M: **Multidimensional**

P: **Pervasive**

D: **Dynamic**

C: **Continuous**

**Concept: Objectives of Management:**

**Please Open the Shop**

**Interpretations:**

P: **Personal**

O : **Organisational**

S : **Social**

**Concept: Importance of Management**

**Do Eat Grapes and Drink Pure water**

**Interpretations:**

D: **Dynamic organisation**

E: **Efficient organisation**

G: **Goal achievement**

D: **Development of society**

P: **Personal objective achievement**

**Topic-2****Nature of Management**

**Concepts Covered** • Management as a Science • Management as an Art • Management as a Profession

**Revision Notes**

- **Management as an Art:** Art is the skillful and personal application of existing knowledge to achieve desired results. It can be acquired through study, observation and experience. Since art is concerned with personal application of knowledge, some kind of ingenuity and creativity is required to practice the basic principles learnt.

**Features of Art:**

- (i) Personalized application
  - (ii) Based on practice and creativity
  - (iii) Existence of theoretical knowledge
- Management is an art as it satisfies all the features for being an art.

- **Management as a Science:** Science is a systematized body of knowledge that explains certain general truths or the operation of general laws.

**Features of Science:**

- (i) Systematized body of knowledge
- (ii) Principles based on experiments
- (iii) Universal validity

Management is an inexact science as its principles have to be modified according to a given situation.

It is a social science as it deals with human beings.

- **Management as a Profession**

**Features of Profession:** Profession is an occupation which is regulated by a legally recognized body and requires specific and formal qualification. Entry is limited in case of profession.

- (i) Well-defined body of knowledge
- (ii) Professional association
- (iii) Restricted entry
- (iv) Ethical code of conduct
- (v) Service motive

Management is on the path of becoming a profession but not a full-fledged profession.

**Topic-3****Levels and Functions of Management**

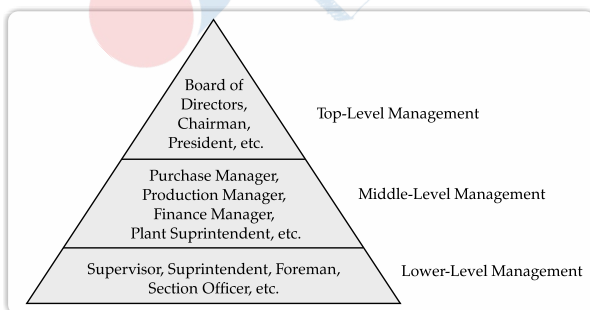
**Concepts Covered** • Different levels of Management and their roles • Management functions-POSDCo..

**Revision Notes**

- **Levels of management** means different categories of managers, the lowest to the highest on the basis of their responsibilities, authority and status.

- **Levels of Management**

- (i) **Top-Level Management:** Consists of Board of Directors, Chairman, Managing Directors, Chief Executives, etc. These top level managers are responsible for the welfare and survival of the organization.



- (ii) **Middle-Level Management:** Consists of Departmental Heads, e.g., Finance Manager, Production Manager, etc. Middle Management is the link between top and lower level managers. They are subordinate to top managers and superior to the first line managers.

- (iii) **Lower/Supervisory/Operational-Level Management:** Consists of Foremen, Supervisors, Superintendents, etc. Lower level managers directly oversee the efforts of the work force, their authority and responsibility is limited according to the plans of management.

- **Functions of Management**

- (i) **Planning:** Planning is the function of deciding in advance what to do, when to do, how to do and who should do it.

- (ii) **Organising:** Organising is the management function of assigning duties, grouping tasks, establishing authority and allocating resources required to carry out a specific plan.

- (iii) **Staffing:** This function is concerned with finding the right person for the right job.

- (iv) **Directing:** Directing is the process of supervising, motivating, leading and communicating with the subordinates to achieve the organizational objectives.

- (v) **Controlling:** The task of controlling involves establishing standards of performance, measuring current performance, comparing it with established standards and taking corrective actions.



## Mnemonics

- (i) **Concept: Levels of Management:**  
**Interpretations:** Mummy Loves Tea  
**M:** Middle level  
**L:** Lower level  
**T:** Top level
- (ii) **Concept: Functions of Management:**  
**Interpretations:** Do Save Plants or Creatures  
**D:** Directing  
**S:** Staffing  
**P:** Planning  
**O:** Organising  
**C:** Controlling



## Key Words

- Board of Directors:** The governing body elected by a group of individuals that represent shareholders.  
**Foreman:** A trained worker who is person-in-charge of a group of workers.  
**Hierarchy:** A system ranking the members according to relative status or authority.



## Fundamental Fact

**Planning is about preparing for the future, not predicting it.**

## Topic-4

### Coordination

- Concepts Covered** • *Concept of Coordination* • *Importance of Coordination*  
 • *Coordination as the Essence of Management.*



## Revision Notes

- **Meaning:** Coordination is a process by which a manager synchronises the activities of different departments to achieve the common organizational goals. It is the force that binds all the other functions of management.
- **Nature/Features of Coordination:**
  - (i) All pervasive
  - (ii) Integrates group efforts
  - (iii) Continuous process
  - (iv) Ensures unity of action
  - (v) Responsibility of all managers
  - (vi) Deliberate function
- **Importance of Coordination:**
  - (i) **Functional differentiation:** Ensures unity of action among different departments which have independent functioning by linking their activities.
  - (ii) **Growth in size:** Integrates individual goals with organizational goals to achieve organizational efficiency as organizations grow in size.
  - (iii) **Specialisation:** Integrates efforts of various specialists in the organization which avoids conflict.
- **Coordination is the essence of Management**
  - (i) **Needed in all management functions:**
    - (a) **Planning:** Coordination between organizational plan and departmental plan.
    - (b) **Organising:** Required between authority, responsibility and accountability.
    - (c) **Staffing:** To achieve balance between job requirement and qualities of personnel.
    - (d) **Directing:** Required between supervision, motivation and leadership.
    - (e) **Controlling:** Ensure actual result conform to expected results.
  - (ii) **Needed at all levels of management:**
    - (a) **Top level:** Coordination to integrate activities of the organization for accomplishing the organizational goals.
    - (b) **Middle level:** Coordination of the efforts of different sections and sub-sections.
    - (c) **Lower level:** Coordination of the activities of workers to ensure the progress of work.



## Mnemonics

- (i) **Concept: Features of Coordination:**  
**Interpretations: Draw UR PIC**  
**D:** Deliberate  
**U:** Unity of action  
**R:** Manager's responsibility  
**P:** Pervasive  
**I:** Integrates efforts  
**C:** Continuous
- (ii) **Concept: Importance of Coordination:**  
**Interpretations: Grab Some Food**  
**G:** Growth in size  
**S:** Specialization  
**F:** Functional differentiation

## CHAPTER-2

# PRINCIPLES OF MANAGEMENT

### Topic-1

## Principles of Management: Concept and Significance.

**Concepts Covered** • *Concept of Principles of Management* • *Significance of Principles of Management*



### Revision Notes

- ▶ **Principles of Management:**
  - (i) Principles are guidelines to take decisions or actions while practicing techniques.
  - (ii) A managerial principle is a broad and general guideline for decision making and behaviour.
- ▶ **Nature or Features of Management Principles**
  - (i) **Universal applicability:** Applicable in all types of organisations, irrespective of size, nature and objectives.
  - (ii) **Formed by practice and experience:** Formed by experimentation, experience and collective wisdom of the managers.
  - (iii) **General guidelines:** Guidelines to actions are available but they do not provide ready-made straitjacket solutions to all managerial problems.
  - (iv) **Flexible:** Can be modified by a manager according to the situation, they are not rigid prescriptions.
  - (v) **Mainly behavioural:** Aim at influencing behaviour of human beings.
  - (vi) **Cause and effect relationship:** Establish relationship between cause and effect *i.e.*, if a particular principle is applied in a particular situation, what would be its likely effect.
  - (vii) **Contingent:** The use of management principles is contingent or dependent upon the prevailing situation at a particular point of time.
- ▶ **Significance of Principles of Management**
  - (i) **Provide useful insights into reality to the managers:** Use of these principles increases managerial efficiency by adding to their knowledge and ability to understand various real world situations more accurately.
  - (ii) **Optimum utilisation of resources and effective administration:** Principles of management help the managers to foresee the cause and effect relationships of their decisions and reduce wastage associated with **trial and error approach**.
    - (iii) **Scientific decisions:** Principles of management help in taking decisions scientifically based on logic and objective assessment of situations rather than blind faith and personal prejudices.
    - (iv) **Meeting requirements of changing environment:** Principles of management are modified to help the managers to meet the requirements of changing environment.
    - (v) **Fulfilling social responsibility:** The management principles have been developed in such a way that they help in fulfilling **social responsibilities** of an organisation.
    - (vi) **Management training, education and research:** Principles of management are the basis of management theories, which are used in training, motivation, research and development.



### Key Words

**Social Responsibility:** Obligation to work for the benefit of the society at large.

**Trial and Error Approach:** Problem solving method in which multiple attempts are made to reach a solution.

**Contingent:** Dependent on or conditioned by something else.



### Mnemonics

**Concept:** Nature of Management Principles

**Interpretations:** U Can Group Chat with FB Friends

U: Universal

C: Contingent

G: General guidelines

C: Cause and effect relationship

F: Flexible

B: Behavioural

F: Formed by practice



**Topic-2****Fayol's Principles of Management****Concepts Covered** • Principles of management developed by Fayol.**Revision Notes**➤ **Fayol's Principles of Management**

- (i) **Division of Work:** Work is to be divided into small tasks and it should be completed by a specialised worker only.
- (ii) **Authority and Responsibility:** Authority is the right to give orders and obtain obedience, and responsibility is the corollary of authority. There should be a balance between authority and responsibility.
- (iii) **Discipline:** Discipline is the obedience to organisational rules and employment agreement which are necessary for the working of the organisation.
- (iv) **Unity of Command:** Each employee should receive orders in a hierarchy and should be responsible to only one superior. There should be one and only one boss for every individual employee.
- (v) **Unity of Direction:** Each group of activities having the same objective must have one head and one plan.
- (vi) **Subordination of Individual Interest to General Interest:** Organisational interest should supercede individual interest. The interests of an organisation should take priority over the interests of any one individual employee.
- (vii) **Remuneration of Employees:** Pay and compensation should be fair to both the employees and the organisation.
- (viii) **Centralisation and Decentralisation:** There is a need to balance subordinate involvement through decentralisation with managers' retention of final authority through centralisation.
- (ix) **Scalar Chain:** Organisations should have a chain of authority and communication that runs from top to bottom and should be followed by managers and the subordinates. This chain should not be violated in the normal

course of formal communication. However, if there is an emergency then through '**Gang Plank**' communication can be done smoothly without any delay.

- (x) **Order:** People and resources should be in suitable places at the appropriate time for maximum efficiency.
- (xi) **Equity:** Kind and just behaviour with all employees without discrimination.
- (xii) **Stability of Personnel:** Minimise employee turnover to maintain organisational efficiency.
- (xiii) **Initiative:** Encourage employees to take initiative in thinking and executing plans.
- (xiv) **Esprit de Corps:** Promote a team spirit of unity and harmony among employees.

**Mnemonics**

Concept: Henry Fayol's 14 principles of management

Interpretations: I C DRESSES And DO U2?

I: Initiative

C: Centralisation and Decentralisation

D: Discipline

R: Remuneration of personnel

E: Equity

S: Subordination of individual interest to general interest

S: Scalar chain

E: Esprit de Corps

S: Stability in the tenure of personnel

A: Authority and Responsibility

D: Division of work

O: Order

U: Unity of command

U: Unity of direction

**Topic-3****Taylor's Scientific Management: Principles and Techniques.****Concepts Covered** • Principles and Techniques of 'Scientific Management'.**Revision Notes**➤ **Principles of Scientific Management**

- (i) **Science, not rule of thumb:** Decisions on the

basis of scientific study and analysis rather than traditional methods of trial and error.

- (ii) **Harmony, not discord:** Eliminate class-conflict and develop harmony between the management and workers. Both should realise that each one is important. To achieve this state, Taylor called for complete **mental revolution** on the part of both management and workers.
- (iii) **Co-operation, not individualism:** Competition should be replaced by co-operation. Management and workers should realise that they need each other.
- (iv) **Development of each and every person to his or her greatest efficiency and prosperity:** Personnel competencies should be developed by scientific selection, and training should be given for worker development and maximum organisational progress.



### Key Words

**Mental Revolution:** Change in the attitude of workers and management towards one another from competition to cooperation. It means that management and workers should transform their thinking.

**Foremanship:** Position or office of being a foreman or supervisor.

**Standardisation:** It refers to the process of setting standards for every business activity; it can be standardisation of process, raw material, time, product, machinery, methods or working conditions.

#### ➤ Techniques of Scientific Management

- (i) **Functional Foremanship:** Separation of planning and execution function.
- (ii) **Standardisation and Simplification:** Establish

standards for every business activity and eliminating unnecessary diversity of products.

- (iii) **Method Study:** Identify one best way to do a job.
- (iv) **Motion Study:** Eliminate wasteful and unnecessary movements.
- (v) **Time Study:** Determine standard time required to perform a well-defined job.
- (vi) **Fatigue Study:** Determine the amount and frequency of rest intervals in completing a task.
- (vii) **Differential Piece Wage System:** Determine different wage rates for efficient and inefficient workers.



### Mnemonics

**Concept: Principles of Scientific Management:**

**Interpretations: Hearts Diamonds Clubs Spades**

H: Harmony, not discord

D: Development of each person to her/ his greatest efficiency and prosperity

C: Cooperation, not individualism

S: Science, not the rule of thumb

**Concept: Techniques of Scientific Management**

**Interpretations: To Make My Face Smile Do something Funny**

T: Time study

M: Method study

M: Motion study

F: Fatigue study

S: Standardisation and simplification of work

D: Differential piece wage system

F: Functional foremanship

## CHAPTER-3

### BUSINESS ENVIRONMENT

#### Topic-1

#### Business Environment: Concept and Importance

**Concepts Covered** • *Concept of Business Environment*, • *Features and Importance*.



### Revision Notes

- **Business Environment:** The term 'business environment' means the sum total of all individuals, institutions and other forces that are outside the control of a business enterprise but that may affect its performance.
- **Features of Business Environment**
  - (i) **Totality of external forces:** Business environment is the sum total of all things external to business firms and, as such, is aggregative in nature.
  - (ii) **Specific and general forces:** Specific forces (such as investors, customers, competitors and suppliers) affect individual enterprises directly and immediately in their day-to-day working. General forces (such as social, political, legal and technological conditions) have impact on all business enterprises and thus may affect an individual firm only indirectly.
  - (iii) **Inter-relatedness:** Different elements of business environment are closely inter-related.

- (iv) **Dynamic nature:** It keeps on changing due to changes in its various components.
- (v) **Uncertainty:** It is very difficult to predict future happenings in business environment with accuracy.
- (vi) **Complexity:** It is relatively easier to understand in parts but difficult to grasp in totality.
- (vii) **Relativity:** It differs from country to country and region to region.

- (i) Enables the firm to identify **opportunities** and getting the first mover advantage.
- (ii) Helps the firm to identify **threats** and early warning signals.
- (iii) Helps in tapping useful resources.
- (iv) Helps in coping with rapid changes.
- (v) Helps in assisting in planning and policy formulation.
- (vi) Helps in improving performance.



## Key Words

- Environment:** Everything that surrounds us.
- Dynamic:** Continuously changing or developing.
- Uncertainty:** A situation in which something is not known.
- Opportunity:** Positive external trends that helps a firm to improve its performance.
- Threat:** External environmental trends that hinder a firm's performance.

### Importance of Business Environment



## Mnemonics

**Concept:** Characteristics of Business

Environment:

**Interpretations:** Did U SIT in a Racing Car?

D : Dynamic nature

U : Uncertainty

S : Specific and general forces

I : Inter-relatedness

T : Totality of external forces

R : Relativity

C : Complexity

## Topic-2

## Dimensions of Business Environment

**Concepts Covered** • *Dimensions of Business Environment- Economic, Social, Technological, Political and Legal.* • *Demonetisation - concept and features.*



## Revision Notes

- (i) **Social Environment:** It includes forces such as customs, traditions, social expectations, literacy rate, etc.
  - (ii) **Economic Environment:** It includes factors such as inflation rates, interest rates, stock market indices, etc.
  - (iii) **Technological Environment:** It includes forces related to scientific improvements and innovations in the methods of production and techniques of operating a business.
  - (iv) **Political Environment:** It includes political conditions such as general stability of the ruling party, government ideologies, values and practices of the ruling party, etc.
  - (v) **Legal Environment:** It includes various legislations passed by the Government, administrative orders, court judgments, etc.
- **Demonetisation:** Demonetisation is the act of stripping a currency unit of its status as legal tender. It occurs whenever there is a change of national currency. The current form or forms of money is pulled from circulation and retired, often to be replaced with new notes or coins. Sometimes, a country completely replaces the old currency with new currency.
- **Features of demonetisation**
- (i) **Demonetisation is viewed as a tax administration measure.**
  - (ii) **Demonetisation is also interpreted as a measure to improve tax compliance.**
  - (iii) **Demonetisation also lead to channelizing savings into the formal financial system.**
  - (iv) **Demonetisation is aimed to create a less-cash or cash-lite economy.**



## Amazing Facts

**Demonetisation across the world**

- (i) **In 1873, USA:** Silver coins were demonetised resulting in 5 years economic depression. As a result, silver was remonetised in 1878.
- (ii) **In 2002, Europe:** German Marc, French Franc, and Italian Lira were demonetised in favour of Euro issued by European Union to facilitate trade.
- (iii) **In 2015, Zimbabwe:** Zimbabwean Dollar were demonetised in favour of US Dollar, Botswana Pula and South African Rand.

**History of Demonetisation in India.**

- (i) **On 12/01/1946:** All notes of denominations of ₹ 500 and ₹ 1,000 were demonetised with a time limit of 10 days to exchange demonetised notes. Its purpose was to catch tax evaders.

- (ii) **On 16/01/1978:** All notes of denominations of ₹ 1,000, ₹ 5,000 and ₹ 10,000 were demonetised with a time limit of 3 days to exchange demonetised notes. Its purpose was to catch corrupt leaders and officials in predecessor governments.
- (iii) **On 08/11/2016:** All notes of denominations of ₹ 500 and ₹ 1,000 were demonetised with a time limit of 50 days to exchange demonetised notes from banks and settle payments against utility services.



### Key Words

**Inflation:** Decline in the purchasing power of a currency over a period of time.

**Stock Market:** Stock market refers to public markets that exist for issuing, buying and selling stocks that trade on a stock exchange or over the counter.

## CHAPTER-4 PLANNING

### Topic-1

#### Planning: Concept, Importance and Limitations

**Concepts Covered** • *Concept, Importance and Limitations of planning*



### Revision Notes

- ▶ **Planning:** It means setting objectives and formulating an action plan to achieve them. It includes deciding in advance what to do, how to do, when to do and who is going to do it.
- ▶ **Importance of Planning:**
  - (i) **Provides directions:** By stating in advance how the work is to be done planning provides direction for action.
  - (ii) **Reduces the risks of uncertainty:** By deciding in advance the tasks to be performed, planning shows the way to deal with changes and uncertain events.
  - (iii) **Reduces overlapping and wasteful activities:** Planning serves as the basis of coordinating the activities and efforts of different divisions, departments and individuals. It helps in avoiding confusion and misunderstanding.
  - (iv) **Promotes innovative ideas:** Since planning is the first function of management, new ideas can take the shape of concrete plans.
  - (v) **Facilitates decision making:** Planning helps the manager to look into the future and make a choice from amongst various alternative courses of action.
  - (vi) **Establishes standards for controlling:** Planning provides the goals or standards against which actual performance is measured.
- ▶ **Limitations of Planning**
  - (i) **Leads to rigidity:** Once a plan is drawn, managers may not be in a position to change it.
  - (ii) **May not work in a dynamic environment:** The business environment is dynamic, nothing is constant. It becomes difficult to accurately assess future trends in the environment if economic policies are modified or political conditions in the country are not stable or there is a natural calamity.
  - (iii) **Reduces creativity:** Middle level and lower level managers have to just implement the plans framed by top management without any deviations. Thus, much of the initiative or creativity inherent in them also gets lost or reduced.
  - (iv) **Involves huge costs:** When plans are drawn up huge costs are involved in their formulation. These may be in terms of time and money for example, checking accuracy of facts may involve lot of time.
  - (v) **Time-consuming:** A lot of time is consumed in collection and analysis of data, choice of alternatives, etc.
  - (vi) **Planning does not guarantee success:** Previous successful plans may not work again in the future. It is not a solution to all the problems.

### Topic-2

#### Planning Process and Types of Plans

**Concepts Covered:** • *Steps in the process of planning.*

• *Single use and standing plans.*

• *Types of plans: Objectives, policies, strategy, procedure, method, rule, budget and programme.*



### Revision Notes

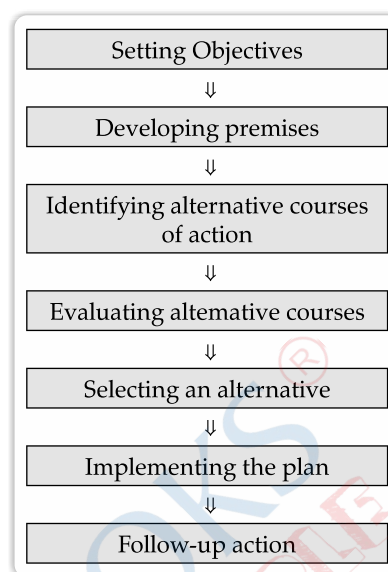
- ▶ **Steps in the process of planning:**
  - (i) **Setting objectives:** Objectives may be set for the entire organisation and each department or unit within the organisation.



- (ii) **Developing premises:** Assumptions about future events are established.
- (iii) **Identifying alternative courses of action:** All the alternative courses of action are identified.
- (iv) **Evaluating alternative courses:** The positive and negative aspect of each alternative is evaluated.
- (v) **Selecting an alternative:** The alternative which is most feasible, profitable and with least negative consequences is selected as plan.
- (vi) **Implementing the plan:** The selected plan is put into action.
- (vii) **Follow-up action:** In case of any deviations, changes are made in the plans.

➤ **Types of Plans:**

- Single-use and standing plans:** A single-use plan is developed for a one-time event or project. A standing plan is used for activities that occur regularly over a period of time.
- **Objectives:** Objectives are very basic to the organisation and they are defined as ends which the management seeks to achieve by its operations.
- **Strategy:** A strategy provides the broad contours of an organisation's business.
- **Policy:** Policies are general statements that guide thinking or channelise energies towards a particular direction.
- **Procedures:** Procedures are routine steps on how to carry out activities.
- **Methods:** Methods provide the prescribed ways or manner in which a task has to be performed considering the objective.
- **Rule:** Rules are specific statements that inform what is to be done.
- **Programmes:** Programmes are detailed statements about a project which outlines the objectives, policies, procedures, rules, tasks, human and physical resources required and the budget to implement any course of action.
- **Budget:** A budget is a statement of expected results expressed in numerical terms. It is a plan which quantifies future facts and figures.



**Planning Process**



**Amazing Fact**

Running a business without a plan is like riding a motorcycle up a craggy cliff blindfolded. Yet, way too many firms (a whopping 67%) don't have a formal business plan in place.



**Mnemonics**

**Concept:** Planning Process:

**Mnemonic:** Slow Driving Is Easy and Safe.

I Follow.

**Interpretations:**

S: Setting objectives

D: Developing premises

I: Identifying alternative courses of action

E: Evaluating alternative courses

S: Selecting an alternative

I: Implement the plan

F: Follow-up action

## CHAPTER-5 ORGANISING

### Topic-1

### Organising: Concept, Importance and Process of Organising

**Concepts Covered** • Concept of organising as a structure and as a process. • Importance of organising.  
• Steps in the process of organising.



## Revision Notes

- Organising essentially implies a process which coordinates human efforts, assembles resources and integrates both into a unified whole to be utilised for achieving specified objectives.
- Organising can be defined as a process that initiates implementation of plans by clarifying jobs and working relationships and effectively deploying resources for attainment of identified and desired results (goals).
- **Steps in the Process of Organising**
  - (i) **Identification and division of work:** The total work is identified and divided into various activities.
  - (ii) **Departmentalization:** Work of same nature is grouped together and assigned to a particular department.
  - (iii) **Assignment of duties:** The responsibility of each individual or post is decided.
  - (iv) **Establishing reporting relationships:** Each individual should know from whom he has to take orders and to whom he is accountable. It helps in coordination among various departments.
- **Importance of Organising:** It helps in the growth and survival of an enterprise in a dynamic environment by providing the following benefits:
  - (i) **Benefits of specialisation:** Repetitive performance of a particular task allows a worker to gain experience in that area and leads to specialisation.
  - (ii) **Clarity in working relationships:** The establishment of working relationships clarifies lines of communication and specifies who is to report to whom.
  - (iii) **Optimum utilisation of resources:** Organising leads to proper usage of all material, financial and human resources.
  - (iv) **Adaptation to changes:** The process of organising allows a business enterprise to accommodate

changes in the business environment.

- (v) **Expansion and growth:** Organising helps in the growth and diversification of an enterprise by enabling it to deviate from existing norms and taking up new challenges.
- (vi) **Development of personnel:** Organising stimulates creativity amongst the managers which develops in the subordinate the ability to deal effectively with challenges and helps them to realise their full potential.
- (vii) **Effective administration:** Clarity in working relationships enables proper execution of work. Management of an enterprise thereby becomes easy and this brings effectiveness in administration.



### Mnemonics

**Concept:** Steps in the Process of Organizing:

I Don't Agree with Everything

**Interpretations:**

I : Identification and division of work

D : Departmentalisation

A : Assignment of duties

E : Establishing authority and reporting relationships

**Concept:** Importance of Organising:

Skip Coffee And/ Or Eat Dinner Early

**Interpretations:**

S : Specialisation

C : Clarity in working relationships

A : Adaptation to change

O : Optimum utilisation of resources

E : Effective administration

D : Development of personnel

## Topic-2

### Organisation Structure and Formal & Informal Organisation

**Concepts Covered** • Meaning, advantages, disadvantages and suitability of functional and divisional structure. • Meaning, advantages, disadvantages of formal and informal organisation.



## Revision Notes

- An **organization structure** provides the framework which enables the enterprise to function as an integrated unit by regulating and coordinating the responsibilities of individuals and departments.
- The **span of management**, to a large extent gives shape to the organisational structure.
- **Functional Structure:** It is formed by grouping of activities of similar nature under one department.
 

**Suitability**

  - (i) Large organisations producing one line of product.
  - (ii) Organisations which require high degree of functional specialisation with diversified activities.

**Advantages**

- (i) Leads to occupational specialisation.
- (ii) Promotes control and coordination within a department.
- (iii) Increases managerial and operational efficiency.
- (iv) Leads to economies of scale which reduces cost.
- (v) Makes training of employees easier.
- (vi) Ensures that different functions get due attention.

**Disadvantages**

- (i) A functional structure places less emphasis on overall enterprise objectives than the objectives pursued by a functional head.
- (ii) Difficulty in inter-departmental coordination.
- (iii) Leads to inter-departmental conflicts.
- (iv) Leads to inflexibility in functioning of an organisation.

- **Divisional structure:** In a divisional structure, the organisation structure comprises of separate business units or divisions.

**Suitability:**

- (i) Suitable for those business enterprises where a large variety of products are manufactured using different productive resources.
- (ii) When an organisation grows and needs to add more employees, more departments or introduce new levels of management.

**Advantages**

- (i) Leads to product specialisation
- (ii) Helps in fixation of responsibility for divisional performance
- (iii) Promotes flexibility, new initiatives and faster decision making
- (iv) Facilitates expansion and growth of organisation

**Disadvantages**

- (i) Divisional conflicts over funds allocation
- (ii) Increase in cost due to duplication of work
- (iii) Ignorance of organisational interest

- **Formal Organization:** Formal organization refers to the organisation structure which is designed by the management to accomplish a particular task.

**Features:**

- (i) Specifies the relationships among various job positions and the nature of their interrelationship.
- (ii) It is a means to achieve the objectives specified in the plans.
- (iii) Efforts of various departments are coordinated.
- (iv) It is deliberately designed by the top management
- (v) It places more emphasis on work to be performed than interpersonal relationships among the employees.

**Advantages**

- (i) It is easier to fix responsibility.
- (ii) There is no ambiguity in the role that each member has to play as duties are specified.
- (iii) **Unity of command** is maintained through an established **chain of command**.
- (iv) It leads to effective accomplishment of goals
- (v) It provides stability to the organization.

**Disadvantages**

- (i) The formal communication may lead to procedural delays.
- (ii) Poor organisation practices may not provide adequate recognition to creative talent.
- (iii) It is difficult to understand all human relationships in an enterprise as it places more emphasis on structure and work.

- **Informal Organisation:** Interaction among people at work gives rise to a 'network of social relationships among employees' called the informal organisation.

**Features:**

- (i) An informal organisation originates from within the formal organisation.
- (ii) The standards of behaviour evolve from group norms rather than officially laid down rules and regulations.
- (iii) Independent channels of communication without specified direction of flow of information are developed by group members.
- (iv) It emerges spontaneously and is not deliberately created by the management. It has no definite structure or form because it is a complex network of social relationships among members.

**Advantages:**

- (i) Prescribed lines of communication are not followed.
- (ii) It helps to fulfill the social needs of the members and allows them to find like minded people.
- (iii) It contributes towards fulfillment of organisational objectives by compensating for inadequacies in the formal organisation.

**Disadvantages:**

- (i) When an informal organisation spreads rumours, it becomes a destructive force and goes against the interest of the formal organisation.
- (ii) The management may not be successful in implementing changes if the informal organisation opposes them.
- (iii) It pressurises members to conform to group expectations. This can be harmful to the organisation if the norms set by the group are against organisational interests.

**Topic-3****Delegation and Decentralisation**

**Concepts Covered** • *Meaning, elements and importance of delegation.*  
• *Meaning and importance of decentralisation.*

**Revision Notes**

- ▶ **Meaning of Delegation of Authority:**  
The delegation of authority refers to the division of labour and decision-making responsibility to an individual that reports to a manager.
- ▶ **Elements of Delegation**
  - (i) **Authority:** It is the right of an individual to command his subordinates and to take decisions and actions within the scope of his position.
  - (ii) **Responsibility:** It is the obligation of a subordinate to properly perform the assigned duty.
  - (iii) **Accountability:** It means being answerable for the final outcome.
- ▶ **Importance of Delegation**
  - (i) **Effective management:** By empowering the employees, the managers are able to function more efficiently as they get more time to concentrate on important matters.
  - (ii) **Employee development:** Delegation empowers the employees by providing them with the chance to use their skills, gain experience and develop themselves for higher positions.
  - (iii) **Motivation of employees:** Superior's trust improves employee's self-esteem and confidence. When a superior entrusts a subordinate with a task, it is not merely the sharing of work but involves trust on the superior's part and commitment on the part of the subordinate.
  - (iv) **Facilitation of growth:** Delegation helps in the expansion of an organisation by providing a ready workforce to take up leading positions in new ventures.
  - (v) **Basis of management hierarchy:** Delegation of authority establishes superior-subordinate relationships, which are the basis of hierarchy of management.
  - (vi) **Better co-ordination:** Clarity in reporting relationships help in developing and maintaining effective coordination amongst the departments, levels and functions of management.
- ▶ **Decentralisation:**  
Decentralisation explains the manner in which decision making responsibilities are divided among hierarchical levels.
- ▶ **Centralisation:**  
An organisation is centralised when decision-making authority is retained by higher management levels whereas it is decentralised when such authority is delegated.
- ▶ **Importance of Decentralisation**
  - (i) **Develops initiative among subordinate:** Decentralisation helps to promote self-reliance and confidence amongst the subordinates.
  - (ii) **Develops managerial talent for the future:** Formal training plays an important part in equipping subordinates with skills that help them rise in the organisation but equally important is the experience gained by handling assignments independently.
  - (iii) **Quick decision making:** In a decentralised organisation since decisions are taken at levels which are nearest to the points of action and there is no requirement for approval from many levels, the process is much faster.
  - (iv) **Relief to the top management:** Decentralisation leaves the top management with more time which they can devote to important policy decisions rather than occupying their time with both policy as well as operational decisions.
  - (v) **Facilitates growth:** With each department doing its best in a bid to outdo the other, the productivity levels increase and the organisation is able to generate more returns which can be used for expansion purposes.
  - (vi) **Better control:** Decentralisation makes it possible to evaluate performance at each level and the departments can be individually held accountable for their results.

**Key Words**

**Authority:** Right to take decisions inherent in a managerial position to tell people what to do and expect them to do it.

**Hierarchy:** A system or organization that has many levels from the lowest to the highest.





## Mnemonics

**Concept:** Elements of Delegation

**Interpretations:**

**Act And Repeat**

A : Authority

A : Accountability

R : Responsibility

**Concept:** Importance of Delegation:

**Interpretations:**

**Caring Mom Buys Fruits to Eat and Enjoy**

C: Coordination

M: Motivation of employees

B: Basis of management hierarchy

F: **Facilitation** of growth

E: **Effective** management

## CHAPTER-6 STAFFING

### Topic-1

### Staffing: Concept, Importance, Process

**Concepts Covered** • Meaning and importance of staffing • Staffing as a part of Human Resource Management. • Steps in the process of staffing.



### Revision Notes

- ▶ **Staffing:** Staffing is one of the functions of management which relates to filling and keeping filled the positions in the organization structure.
- ▶ **Features of Staffing:**
  - (i) It is an integral part of the management.
  - (ii) It is a **pervasive** function of the management related to manpower or human resources.
  - (iii) It is a continuous process.
  - (iv) It has a wide scope.
  - (v) It is a multiple objective activity.



### Key Words

**Staffing:** Putting people to jobs.

**Pervasive:** Existing in every part of something spreading to all parts of something.

- ▶ **Importance:**
  - (i) Discovers and obtains competent personnel for filling the vacancies.
  - (ii) Improves performance by putting right person at the right job.
  - (iii) Ensures continuous survival and growth of an organisation.
  - (iv) Ensures optimum utilisation of human resources.
  - (v) Improves job satisfaction and morale of the employees.

- ▶ **Staffing as a part of Human Resource Management:** In small organisations, the function of staffing is performed by all the managers but in large organisations, the function of staffing is the responsibility of a separate department called the "Human Resource Department".

Following are the activities to be performed by Human Resource Personnel:

- (i) Recruitment
- (ii) Preparation of job descriptions
- (iii) Selection
- (iv) Preparation of compensation and incentive plans
- (v) Placement and orientation
- (vi) Training and development
- (vii) Performance appraisal
- (viii) Maintaining labour relations by handling complaints and grievances of employees
- (ix) Providing social security and welfare of employees
- (x) Handling law suits and legal complications of company

► **Process of Staffing:**

- (i) **Estimating manpower requirements:** Assess number and type of employees needed by an organisation in near future through **workload analysis** and **workforce analysis**.
- (ii) **Recruitment:** Search prospective employees and stimulate them to apply for the job.
- (iii) **Selection:** Choose the best person out of the pool of prospective candidates.
- (iv) **Placement and Orientation:** Employee occupies the post and gets familiar with the organisation.
- (v) **Training and Development:** Improve the job knowledge and competence of employees.
- (vi) **Performance Appraisal:** Employee's performance is evaluated for salary hike, promotion, etc.
- (vii) **Promotion and Career Planning:** Opportunity for higher position with more pay, responsibility, etc.

- (viii) **Compensation:** Pay plans are determined.



## Mnemonics

**Concept:**

**Staffing Process:**

**Interpretation:** Eat, Rest, Sleep, Play Till People

Play Cards

**E:** Estimating the Manpower Requirements

**R:** Recruitment

**S:** Selection

**P:** Placement and Orientation

**T:** Training and Development

**P:** Performance Appraisal

**P:** Promotion and Career Planning

**C:** Compensation

## Topic-2

### Recruitment Process

**Concepts Covered** • *Meaning and sources of recruitment.* • *Merits and demerits of internal and external sources of recruitment.*



## Revision Notes

- **Recruitment** has been defined as 'the process of searching for prospective employees and stimulating them to apply for jobs in an organisation.
- **Internal Sources of Recruitment:**
  - (i) **Meaning:** It refers to re-arrangement of existing staff to fill up the vacant jobs.
  - (ii) **Types:**
    - (a) **Transfer:** 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.
    - (b) **Promotion:** Promotion leads to shifting an employee to a higher position, carrying higher responsibilities, facilities, status and pay.
  - (iii) **Advantages:**
    - (a) Motivates employees to improve their performance.
    - (b) Simplifies the process of selection and placement.
    - (c) No need of induction training.
    - (d) Maintenance of adequate workforce in an organisation.
    - (e) Jobs are filled economically.
  - (iv) **Disadvantages:**
    - (a) Scope for induction of fresh talent is reduced.
    - (b) Time bound promotions make employees lethargic.
    - (c) Not applicable to new enterprise.
    - (d) Spirit of competition among employees is hampered.
    - (e) Frequent transfers reduce employees' productivity.
- **External Sources of Recruitment:**
  - (i) **Meaning:** It refers to searching for employees from the sources outside the organisation.
  - (ii) **Types:**
    - (a) **Direct recruitment:** Under the direct recruitment, a notice is placed on the notice-board of the enterprise specifying the details of the jobs available.
    - (b) **Casual callers:** Many reputed business organisations keep a database of unsolicited applicants in their offices. Such job-seekers can be a valuable source of man power.
    - (c) **Advertisement:** Placement agencies provide a nationwide service in matching personnel demand and supply. Management consultancy firms help the organisations to recruit technical, professional and managerial personnel.
    - (d) **Employment exchange:** Employment exchanges run by the Government are regarded as a good source of recruitment for unskilled and skilled operative jobs.

- (e) **Placement agencies and management consultants:** Placement agencies provide a nationwide service in matching personnel demand and supply. Management consultancy firms help the organisations to recruit technical, professional and managerial personnel.
- (f) **Campus recruitment:** Colleges and institutes of management and technology have become a popular source of recruitment for technical, professional and managerial jobs.
- (g) **Recommendation of employees:** Applicants introduced by present employees, or their friends and relatives may prove to be a good source of recruitment.
- (h) **Labour contractors:** Labour contractors maintain close contacts with labourers and they can provide the required number of unskilled workers at short notice.
- (i) **Web publishing:** There are certain websites specifically designed and dedicated for the purpose of providing information about both job seekers and job opening.
- (j) **Advertising on Television:** The practice of telecasting of vacant posts over Television is gaining importance these days. The detailed requirements of the job and the qualities required to do it are publicised along with the profile of the organisation where vacancy exists.
- (iii) **Advantages:**
- Attracts qualified personnel to apply for the jobs
  - Gives a wider choice to management while selection
  - Brings fresh talent in the organisation
  - Develops competitive spirit among the existing staff
- (iv) **Disadvantages:**
- Develops dissatisfaction among existing staff
  - Lengthy process
  - Heavy cost on advertisement and selection process



### Mnemonics

**Concept:** External Sources of Recruitment

**Interpretation:** Child CRAWLED while Playing

**C** : Campus recruitment

**C** : Casual callers

**R** : Recommendation of employees

**A** : Advertisement

**W** : Web publishing

**L** : Labour contractors

**E** : Employment exchange

**D** : Direct recruitment

**P** : Placement agencies and management consultants

## Topic-3

### Selection Process

**Concepts Covered** • Meaning of selection • Steps involved in the process of selection



### Revision Notes

- Selection is the process of identifying and choosing the best person out of a number of prospective candidates for a job.
- **Process of Selection**
  - Preliminary Screening:** Elimination of unqualified and unfit job-seekers.
  - Selection Tests:** Measure certain characteristics of individuals.
  - Employment Interview:** In-depth conversation to evaluate applicant's suitability.
  - Reference and Background Check:** Verify and gain additional information about an applicant.
  - Selection Decision:** Candidates who pass tests, interviews and reference checks are finally selected.
  - Medical Examination:** Candidate undergoes a medical fitness test.
  - Job Offer:** Letter of appointment is offered to the applicant for acceptance of the applicant.
  - Contract of Employment:** Contract documents are exchanged between the employer and the employee.



## Mnemonics

**Concept:** Selection Process:

**Interpretation:** Please Smile Else Renowned Star  
Michael Jackson won't Come

**P** : Preliminary Screening

**S** : Selection Tests

**E** : Employment Interview

**R** : Reference and Background Checks

**S** : Selection Decision

**M** : Medical Examination

**J** : Job Offer

**C** : Contract of Employment

## Topic-4

### Training and Development

**Concepts Covered** • *Concept of training and development.* • *Importance of training to the organisation and to the employees.* • *On the job and off the job methods of training.*



## Revision Notes

- ▶ Training and Development is an attempt to improve the current or future employee's 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.

### ▶ Importance of Training and Development

#### (i) To the Organisation:

- (a) Systematic learning prevents wastage of efforts and money.
- (b) Enhances employee's productivity leading to higher profits.
- (c) Enables employee to become managers in future.
- (d) Increases employee morale and reduces employee turnover.
- (e) Obtains better response to the dynamic environment.



## Key Words

**Training:** Any process by which the aptitudes, skills and abilities of employees to perform specific jobs are increased.

**Development:** Learning opportunities designed to help employees grow.

#### (ii) To the Employee:

- (a) Leads to better career due to improved skills.
- (b) Increases earning due to enhancement in performance.
- (c) Reduces accidents due to careful handling of machines.
- (d) Increases satisfaction and morale of the employees.

#### ▶ Training Methods:

##### (i) On-the-Job Methods:

- (a) **Apprenticeship Programmes:** Apprentice (trainee) works under the guidance of a master worker to acquire a higher level of skill, e.g., plumbers, electricians, etc.
- (b) **Internship Training:** It is a joint programme between an educational institution and business firm in which students work in firms to gain practical knowledge and skills.
- (c) **Induction Training:** New employee is introduced to the organisation, its work culture and colleagues to make him familiar and comfortable on the job.

##### (ii) Off-the-Job Methods:

**Vestibule Training:** Artificial/simulated work environment is created in a class room, away from actual work floor, where training is given on dummy models of actual equipment.

## CHAPTER-7 DIRECTING

## Topic-1

### Concept, Importance and An Introduction to Elements of Directing

**Concepts Covered** • *Meaning of Directing.* • *Features of Directing.* • *Importance of Directing.* • *Meaning of various elements of Directing.*



## Revision Notes

- ▶ **Directing:** Means giving instructions and guiding people in doing work.
- ▶ **Importance of Directing:**



- (i) **Helps to initiate action:** Directing helps to initiate action by people in the organization towards attainment of desired objectives.
- (ii) **Integrates employees' efforts:** Directing integrates employees efforts in the organization in such a way that every individual effort contributes to the organisational performance.
- (iii) **Guides employees to fully realise their potential:** Directing guides employees to fully realize their potential and capabilities by motivating and providing effective leadership.
- (iv) **Facilitates changes in the organization:** Effective directing through motivation, communication and leadership helps to reduce resistance and develop required cooperation in introducing changes in the organisation.
- (v) **Brings stability and balance in the organization:** Effective directing helps to bring stability and balance in the organization since it fosters cooperation and commitment among the people and helps to achieve balance among various groups, activities and the departments.



## Key Words

**Directing:** The process of instructing, guiding, counselling, motivating and leading people in the organisation to achieve its objectives.

**Stability:** A situation in which something such as an economy, company, or system can continue in a regular and successful way without unexpected changes.

### Elements of Directing:

**Motivation:** It means incitement or inducement to act or move. In the context of an organization, it means the process of making subordinates to act in a desired manner to achieve certain organizational goals.

**Leadership:** It is the process of influencing the behaviour of people by making them strive voluntarily towards achievement of organizational goals.

**Communication:** It is a process of exchange of ideas, views, facts, feelings, etc., between or among people to create common understanding.

## Topic-2

### Motivation

**Concepts Covered** • Meaning and features of motivation, • Maslow's Need Hierarchy-Theory of Motivation, • Financial and non-financial incentives.



## Revision Notes

- Motivation means the process of making subordinates to act in a desired manner to achieve certain organizational goals.
- **Features of Motivation:**
  - (i) **Internal feeling**
  - (ii) **Produces goal-directed behaviour**
  - (iii) **Can be either positive or negative**
  - (iv) **Complex process**
- **Maslow's Need Hierarchy Theory of Motivation:** Abraham Maslow categorised human needs into five types:
  - (i) **Basic physiological needs:** Also known as survival needs, e.g., food, shelter, clothing, etc.
  - (ii) **Safety or security needs:** Protection from physical dangers and economic security, e.g., pension plans, job security, etc.
  - (iii) **Affiliation/Belonging needs:** Also known as social needs, e.g., affection, acceptance, etc.
  - (iv) **Esteem needs:** Self-respect, status, etc.
  - (v) **Self actualisation needs:** Desire of becoming what one is capable of becoming, e.g., growth, self-fulfillment, etc.

It helps managers to realise that the unsatisfied needs of employees should be identified so as to provide motivation to them.
- **Financial Incentive:** It refers to the incentives which are measurable in monetary terms such as:
  - (i) Pay and allowances
  - (ii) Productivity linked wage incentives
  - (iii) Bonus
  - (iv) Profit sharing
  - (v) Co-partnership/stock option
  - (vi) Retirement benefits
  - (vii) Perquisites
- Non-Financial Incentives:** It refers to the incentives which are related to psychological, social and emotional factors:
  - (i) Status
  - (ii) Organisational climate
  - (iii) Career advancement opportunity
  - (iv) Job enrichment
  - (v) Employee recognition programmes
  - (vi) Job security
  - (vii) Employee participation
  - (viii) Employee empowerment

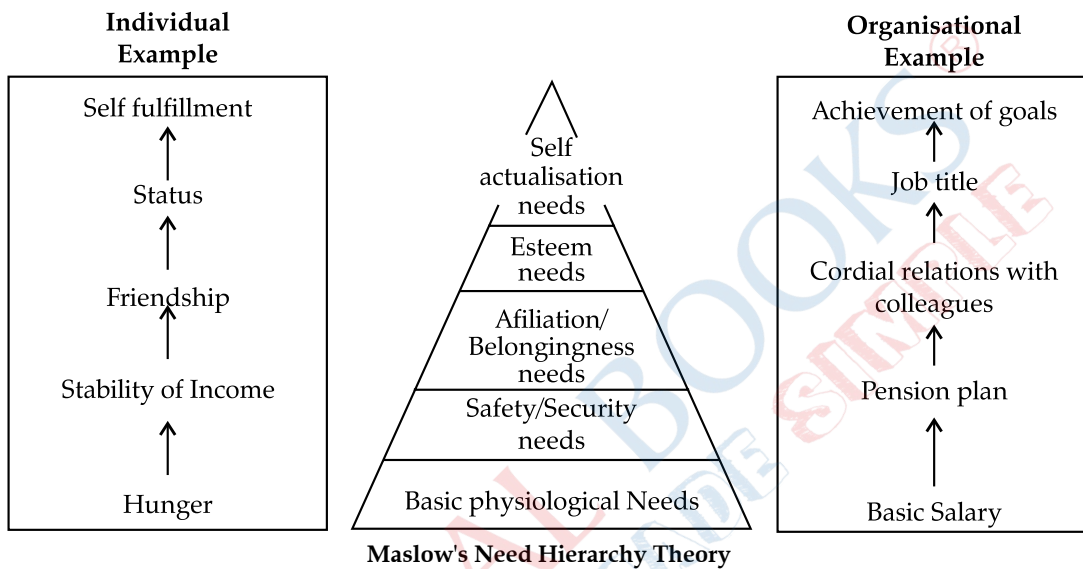


## Mnemonics

**Concept:** Maslow's Need Hierarchy Theory of Motivation

**Interpretation:** Play Some Act for entertainment or Sleep  
 P: Physiological needs  
 S: Safety or security needs  
 A: Affiliation/ Belonging needs  
 E: Esteem needs  
 S: Self-actualisation needs

## Key Diagram



## Topic-3

### Leadership

**Concepts Covered** • Meaning and Features of Leadership, • Various styles of leadership - authoritative, democratic and laissez faire.



## Revision Notes

- ▶ **Leadership** is the process of influencing the behaviour of people by making them strive voluntarily towards achievement of organizational goals.
- ▶ **Features of Leadership**
  - (i) Process of influencing people
  - (ii) Brings behavioural changes
  - (iii) Inter-personal relationship between a leader and a follower
  - (iv) Continuous process
  - (v) Exercised to achieve common goals
- ▶ **Leadership styles**
  - (i) **Authoritative/Autocratic Leadership:** A style in which the leader centralises all decision making powers and exercises complete control over his subordinates.
  - (ii) **Democratic/Participative Leadership:** A style in which the leader consults the subordinates in the decision making process and encourages them to give suggestions.
  - (iii) **Free Rein/Laissez Faire Leadership:** A style in which the leader gives complete freedom to the subordinates in setting the goals and delegates the entire authority of decision making to them.

**Topic-4****Communication**

**Concepts Covered** • *Meaning of communication;* • *Elements of the communication process.;* • *Concept of formal and informal communication.;* • *Barriers to effective communication.;* • *Measures to overcome barriers to communication.*

**Revision Notes**

- Communication is a process of exchange of ideas, views, facts, feelings, etc., between or among people to create common understanding.
- **Elements of Communication:**
  - (i) **Sender:** Conveyor.
  - (ii) **Message:** Subject matter of communication.
  - (iii) **Encoding:** Converting message into symbols.
  - (iv) **Media:** Path or medium to transmit message.
  - (v) **Decoding:** Translating encoded message into language.
  - (vi) **Receiver:** Receiving the message.
  - (vii) **Feedback:** Reaction to the sender.
  - (viii) **Noise:** Hindrance in effective communication process.
- **Channels of Communication:**
  - (i) **Formal Communication:** Official communication taking place in the organisation through official channels.
  - (ii) **Informal Communication:** Unofficial communication that arises from the social interaction of people.
- **Barriers to the Communication:**
  - (i) **Semantic Barriers:** Related to encoding and decoding of message:
    - (a) Badly expressed message
    - (b) Symbols with different meanings
    - (c) Faulty translation
    - (d) Unclear assumptions
    - (e) Technical Jargon
    - (f) Body language and Gesture decoding
  - (ii) **Psychological Barriers:** Related to the state of mind of both the sender and the receiver.
    - (a) Premature evaluation
    - (b) Lack of attention
    - (c) Loss by transmission and poor retention
    - (d) Distrust
  - (iii) **Organisational Barriers:** Related to organisation structure, authority relationships, rules and regulations etc.
    - (a) Organisational policy
    - (b) Rules and regulations
    - (c) Status
    - (d) Complexity in Organisation Structure
    - (e) Organisational facilities
  - (iv) **Personal Barriers:** Related to the personal attitudes of both the sender and the receiver.
    - (a) Fear of challenge to the authority
    - (b) Lack of confidence of superior on his subordinates
    - (c) Unwillingness to communicate
    - (d) Lack of proper incentive
- **Measures to improve communication effectiveness:**
  - (i) Clarify the ideas before communication
  - (ii) Communicate according to the need of the receiver
  - (iii) Consult others before communicating
  - (iv) Be aware of the language, tone and content of the message
  - (v) Convey things of help and value to listeners
  - (vi) Ensure proper feedback
  - (vii) Communicate for the present as well as for the future
  - (viii) Follow up communications
  - (ix) Be a good listener

**Mnemonics**

(i) **Concept: Communication Barriers:**

**Mnemonics:** SO Pray Please

S: Semantic

O: Organisational

P: Personal

P: Physiological needs

(ii) **Concept: Elements of Communication**

**Mnemonics:** Some Make Easy Money but you Do

Right For Nothing

**S:** Sender **M:** Message

**E:** Encoding **M:** Media **D:** Decoding **R:** Receiver

**F:** Feedback **N:** Noise

## CHAPTER-8

# CONTROLLING



### Revision Notes

- ▶ Controlling means ensuring that activities in an organization are performed as per the plans.
- ▶ **Nature/Features of Controlling:**
  - (i) **Goal-Oriented:** Ensures resources are used effectively.
  - (ii) **Pervasive Function:** Performed at all levels and in all types of organisations.
  - (iii) **Continuous:** Brings management cycle back to planning.
- ▶ **Importance of Controlling:**
  - (i) Helps in accomplishing the organisational goals.
  - (ii) Helps in judging accuracy of standards.
  - (iii) Helps in making the efficient use of resources.
  - (iv) Helps in improving employee motivation.
  - (v) Helps in ensuring order and discipline.
  - (vi) Helps in facilitating coordination in action.
- ▶ **Relationship between Planning and Controlling:**
  - (i) **Both are interrelated and interdependent:**
    - (a) Planning based on facts makes controlling easier and effective.
    - (b) Controlling improves future planning by providing information derived from past experience.
  - (ii) **Planning is prescriptive and controlling is evaluative:**
    - (a) Planning prescribes appropriate action.
    - (b) Controlling evaluates performance.
  - (iii) **Both are backward looking as well as forward looking:**
    - (a) Planning is based on the past experiences and done for future.
    - (b) Controlling evaluates past activities and improves the future performance.
- ▶ **Controlling Process:**
  - (i) **Setting performance standards:** Against which actual performance will be measured.
  - (ii) **Measurement of actual performance:** Through personal observation, sample checking, performance reports, etc.
  - (iii) **Comparing actual performance with standards:** To reveal the deviations between actual and desired results.
  - (iv) **Analysing deviations:** By using critical point control and management by exception techniques.
  - (v) **Taking corrective action:** Involves training of employees, replacement of machinery, etc.



### Mnemonics

**Concept:** Controlling Process

**Interpretations:** Such a Mischievous CAT

S : Setting performance standards

M : Measurement of actual performance

C : Comparison of actual performance with standards

A : Analysis of deviations

T : Taking corrective action

## PART B: BUSINESS FINANCE AND MARKETING

## CHAPTER-9

# FINANCIAL MANAGEMENT

### Topic-1

### Financial Management: Concept, Objective, Role and Financial Decisions

**Concepts Covered** • *Meaning, Importance and Objectives of Financial Management.* • *Meaning and Factors affecting the three financial decisions: investment, financing and dividend.*



### Revision Notes

- ▶ **Financial Management:** Financial Management is concerned with optimal procurement as well as the usage of finance.
- ▶ **Objectives of Financial Management:** The primary objective of financial management is to maximise shareholders' wealth.



► **Role of Financial Management:** The importance of financial management can be judged by the fact that almost all items in the financial statements of a business are affected directly or indirectly through some financial management decisions. Some of the examples are:

- (i) Size and composition of fixed assets by the business.
- (ii) Quantum of current assets and its break-up into cash, inventory and receivables.
- (iii) Amount of long term and short term funds to be used.
- (iv) Breakup of long term financing into debt, equity, etc.
- (v) All items in the Profit and Loss Account.

► **Types of Financial Decisions:**

- (i) **Investment Decision:** It is concerned with investment of firm's funds in different assets.
  - (a) A long-term investment decision in fixed assets is called as capital budgeting decision.
  - (b) A short-term investment decision in cash, inventory, and debtors is called as working capital decision.

Factors affecting capital budgeting decision are:

- (a) Cash flows of the project
- (b) Rate of return
- (c) Investment criteria
- (ii) **Financing Decision:** It deals with the quantum of finance to be raised from various long-term sources *viz.* debt and equity. It involves identification of various available sources. The main sources of funds for a firm are **shareholders' funds** and **borrowed funds**.

Factors affecting financing decision are:

- (a) Cost

- (b) Flotation Costs
- (c) Cash flow position of business
- (d) Control consideration
- (e) Capital market
- (f) State of fixed operating cost
- (g) Risk

(iii) **Dividend Decision:** It determines how much of the profits are to be distributed as dividends and how much to be retained for the investment requirement.

Factors affecting dividend decisions are:

- (a) Amount of earnings
- (b) Stability of earnings
- (c) Stability of dividends
- (d) Growth opportunities
- (e) Cash flow position
- (f) Shareholders' preference
- (g) Taxation policy
- (h) Stock market reaction
- (i) Access to capital market
- (j) Legal constraint
- (k) Contractual constraint

### Key Words

**Financial decision:** These are the decisions which are concerned with three aspects - *viz.* investment, financing and dividend.

**Fixed Operating Costs:** Costs like building rent, insurance premium, salaries, etc. which have to be incurred irrespective of the production level.

**Dividend:** It is that portion of profit which is distributed to shareholders.

**Shareholders' funds:** Refer to the equity capital and the retained earnings.

**Borrowed funds:** Refer to the finance raised through debentures or other forms of debt.

## Topic-2

### Financial Planning

**Concepts Covered** • *Meaning and Objectives of financial planning, • Importance of financial planning*



### Revision Notes

► **Financial Planning:** It is the process of estimating the fund requirement of a business and specifying the sources of funds.

► **Objectives of Financial Planning:**

- (i) To ensure the availability of funds whenever required.
- (ii) To ensure that the firm does not raise resources unnecessarily.

► **Importance of Financial Planning:**

- (i) Prepares for future challenges
- (ii) Avoids business shocks and surprises
- (iii) Co-ordinates various business functions
- (iv) Eliminates wasteful efforts
- (v) Links present with future
- (vi) Links investment with financing decision
- (vii) Facilitates financial control

**Topic-3****Capital Structure**

**Concepts Covered** • *Meaning of Capital Structure*, • *Factors determining the choice of an appropriate capital structure of a company.*

**Revision Notes**

- **Capital Structure:** It refers to the mix between owners funds *i.e.*, equity and borrowed funds raised by a company *i.e.*, Debt/Equity Capital.
- **Trading on Equity:** It refers to an increase in profit earned by the equity shareholders due to the presence of fixed financial charges like interest.
- **Factors determining the capital structure:**
  - (i) Cash flow position
  - (ii) Interest Coverage Ratio (ICR)
  - (iii) Debt Service Coverage Ratio (DSCR)
  - (iv) Return on Investment (ROI)
  - (v) Cost of debt
  - (vi) Tax rate
  - (vii) Cost of equity
  - (viii) Floatation costs
  - (ix) Risk consideration
  - (x) Flexibility
  - (xi) Control
  - (xii) Regulatory framework
  - (xiii) Stock market condition
  - (xiv) Capital structure of other companies

**Topic-4****Fixed and Working Capital**

**Concepts Covered** • *Meaning of fixed and working capital*, • *Factors determining the requirements of fixed and working capital.*

**Revision Notes**

- Fixed capital refers to investment in long-term assets.
- **Features of Fixed capital/Investment decision/ Capital budgeting decision:**
  - (i) Long-term growth and impact
  - (ii) Large amount of funds involved
  - (iii) Risk involved
  - (iv) Irreversible decision
- **Factors affecting the requirement of fixed capital:**
  - (i) Nature of business
  - (ii) Scale of operations
  - (iii) Choice of technique
  - (iv) Technology upgradation
  - (v) Growth prospects
  - (vi) Diversification
  - (vii) Financing alternatives
  - (viii) Level of collaboration
- Working capital represents the amount of funds invested in current assets like debtors, stock-in-trade and cash required for meeting day-to-day expenses, paying wages/ salaries to its work-force and clearing dues of its creditors.
- Working Capital = Current Assets – Current Liabilities
- **Factors affecting the working capital requirements:**
  - (i) Nature of business
  - (ii) Scale of operations
  - (iii) Business cycle
  - (iv) Seasonal factors
  - (v) Production cycle
  - (vi) Credit availed
  - (vii) Credit allowed
  - (viii) Operating efficiency
  - (ix) Availability of raw material
  - (x) Growth prospects
  - (xi) Level of competition
  - (xii) Inflation

**CHAPTER-10****FINANCIAL MARKETS****Topic-1****Financial Markets, Money Markets, Capital Market.**

**Concepts Covered** • *Concept of financial market*, • *Concept of money market*, • *Concept of capital market*, • *Primary and secondary markets as types of capital market.*

**Revision Notes**

- **Financial Markets:** A business is a part of an economic system that consists of two main sectors – households which save funds and business firms which invest these funds.

- ▶ A financial market helps to link the savers and the investors by mobilizing funds between them. In doing so it performs what is known as an allocative function.
- ▶ It allocates or directs funds available for investment into their most productive investment opportunity.
- ▶ **Money Market:** The money market is a market for short term funds which deals in **monetary assets** whose period of maturity is up to one year.
- ▶ **Capital Market:** Capital market includes all those organisations, institutions and instruments that provide long-term and medium-term funds through shares, bonds, debentures, etc.

#### Types of Capital Market:

- (i) **Primary Market:** It refers to the market wherein securities (shares, debentures) are sold for the first time. It is also known as new issue market.
- (ii) **Secondary Market:** It is a market for the purchase and sale of existing securities.



### Key Words

**Financial market:** Market for the creation and exchange of financial assets.

**Monetary Assets:** Those short term assets that can be liquidated easily and quickly like cash and cash equivalents, short term investments etc.

**Capital market:** Refers to facilities and institutional arrangements through which long-term funds, both debt and equity are raised and invested.

## Topic-2

### Stock Exchange

**Concepts Covered** • Meaning of a stock exchange, • Functions of a stock exchange, • Trading procedure in a stock exchange.



### Revision Notes

- ▶ **Meaning of Stock Exchange:** According to Securities Contracts (Regulation) Act 1956, stock exchange means any body of individuals, whether incorporated or not, constituted for the purpose of assisting, regulating or controlling the business of buying and selling or dealing in securities.
- ▶ **Functions of a Stock Exchange:**
  - (i) Provides liquidity and marketability to existing securities
  - (ii) Ensures safety of transactions
  - (iii) Contributes to economic growth
  - (iv) Spreads out equity cult
  - (v) Determines price of securities
  - (vi) Provides scope for speculation
- ▶ **Trading Procedure on a Stock Exchange:**
  - (i) Selecting a broker
  - (ii) Opening a demat account
  - (iii) Placing an order

- (iv) Executing the order
- (v) Settlement of transaction



### Mnemonics

**Concept:** Trading Procedure on a Stock Exchange:

**Interpretations:** SO Parrots Eat Strawberries

**S:** Selecting a broker  
**O:** Opening a demat account  
**P:** Placing an order  
**E:** Executing the order  
**S:** Settlement of transaction

**Concept:** Players in the depository system:

**Interpretations:** DID your Breakfast?

**D:** Depository  
**I:** Issuer  
**D:** Depository participant  
**B:** Beneficial owner

## Topic-3

### SEBI

**Concepts Covered** • Objectives of SEBI, • Functions of SEBI



### Revision Notes

- ▶ **Securities and Exchange Board of India (SEBI):** It was established by the Indian Government in 1988 under the administrative control of the Ministry of Finance, Government of India. Later, it became a statutory body under the SEBI Act, 1992.

#### Objectives of SEBI:

- (i) To regulate stock exchanges
- (ii) To protect investor's rights and interests
- (iii) To prevent trading malpractices
- (iv) To regulate and develop the code of conduct

**Functions of the SEBI:****(i) Regulatory Functions:**

- (a) Registration of players in the market
- (b) Registration of investment schemes
- (c) Regulation of intermediaries
- (d) Regulation of takeover bids
- (e) Calling for information
- (f) Levying fees
- (g) Others as delegated by the Government of India

**(ii) Developmental Functions:**

- (a) Training of intermediaries
- (b) Conducting research
- (c) Developing capital markets

**(iii) Protective Functions:**

- (a) Prohibition of unfair trade practices
- (b) Controlling insider trading
- (c) Investors' protection

**Mnemonics****Concept:** Objectives of SEBI**Mnemonics:** Paris and Rome are Dream Places**Interpretations:****P:** Prevent trading malpractices**R:** Regulate stock exchanges and the securities industry**D:** Develop a code of conduct and fair practices**P:** Protect the rights and interests of investors**Concept:** Functions of SEBI**Mnemonics:** Pretty Red Dress**Interpretations:****P:** Protective Functions**R:** Regulatory Functions

## CHAPTER-11

# MARKETING

**Topic-1****Marketing: Concept and Functions****Concepts Covered** • *Meaning, Features and Functions of marketing***Revision Notes**

- **Marketing:** It refers to identifying a group of potential customers and finding out ways to convince them to buy the company's product.
- **Marketing Management:** It refers to planning, organising, directing and controlling the activities which facilitate exchange of goods and services to achieve the organisational objectives.
- **Features of Marketing**
  - (i) Identifying **needs** and wants of customers
  - (ii) Creating market offering
  - (iii) Developing customer value
  - (iv) Providing **exchange** mechanism
- **Functions of Marketing**
  - (i) Gathering and analysing market information
  - (ii) Market planning
  - (iii) Product designing and development
  - (iv) **Standardisation and grading**
  - (v) **Packaging and labelling**
  - (vi) Branding
  - (vii) Customer support services
  - (viii) Pricing of products
  - (ix) Promotion
  - (x) Physical distribution
  - (xi) **Transportation**
  - (xii) Storage or Warehousing

**Mnemonics****Concept:** Features of Marketing:**Mnemonics:** DIP in Cream**Interpretations:****D:** Developing customer value**I:** Identifying needs and wants of customers**P:** Providing exchange mechanism**C:** Creating market offering**Concept:** Functions of Marketing**Mnemonics:** Go To Market When Brother Comes from School and Party 5 times**Interpretations:****G:** Gathering and analysing market information**T:** Transportation**M:** Market planning**W:** Warehousing**B:** Branding**C:** Customer support services**S:** Standardisation and grading**P:** Product designing and development**P:** Packaging and labelling**P:** Pricing of products**P:** Promotion**P:** Physical distribution



**Topic-2****Marketing Management Philosophies**

**Concepts Covered** • Marketing philosophies - The Production Concept, The Product Concept, The Selling Concept, The Marketing Concept, The Societal Marketing Concept.

**Revision Notes**

- **Marketing Management Philosophies:**
- **The Production Concept:** Production concept lays emphasis on availability and affordability of products.
- **The Product Concept:** Product concept lays emphasis on 'quality of production' rather than 'quantity of production'.
- **The Selling Concept:** This concept stresses on attracting and persuading customers to buy the product by making aggressive selling and promotional efforts.
- **The Marketing Concept:** According to this concept, customer satisfaction is the key to organisational success.
- **The Societal Marketing Concept:** The societal marketing concept is the extension of the marketing concept as supplemented by the concern for the long-term welfare of the society.

**Key Words****Marketing Management Philosophy:**

Thinking that should guide the marketing efforts of an organisation.

**Product:** An article or substance offered for sale.

**Mnemonics**

**Concept:** Marketing Management Philosophies:

**Mnemonics:** Please Pay Money Soon Son

**Interpretations:**

**P:** Product concept

**P:** Production concept

**M:** Marketing concept

**S:** Societal Marketing concept

**S:** Selling concept

**Topic-3****Marketing Mix**

**Concepts Covered** • Meaning of marketing mix, • Elements (4P's) of marketing mix - Product, Price, Physical Distribution and Promotion, • Concept of branding, labelling and packaging, • Factors determining price of a product, • Components of physical distribution, • Various channels of physical distribution, • Elements of promotion mix - Advertising, Personal Selling, Sales Promotion and Public Relations.

**Revision Notes**

- Marketing manager concentrates on four major decision areas while planning the marketing activities, namely, (i) products, (ii) price, (iii) place (distribution) and (iv) promotion. These 4 'P's are called as elements of marketing and together they constitute the marketing mix.
  - **Product:** Product means goods or services or 'anything of value', which is offered to the market for sale.
    - **Important decisions related to a Product**
      - I. **Branding:** It is a process of giving a name or a sign or a symbol to a product.
        - **Brand:** It is a name, term, sign, symbol, design or any combination used to differentiate product from its competitors. Its components are:
          - (i) **Brand name:** Verbal component of a brand.
          - (ii) **Brand mark:** Recognised in the form of symbol, colour, etc. but non-utterable.
          - (iii) **Trade mark:** A brand or part of a brand that is given legal protection is called trademark.
- A good brand name should be easy to pronounce, suggestive, distinctive, flexible, versatile, legally registered and permanent.
- II. **Packaging:** It is the art of designing and producing the container or the wrapper of a product.
    - **Levels of Packaging**
      - (i) **Primary package:** It refers to product's immediate container.
      - (ii) **Secondary package:** It refers to an additional layer of protection, kept till product is ready to use.
      - (iii) **Transportation package:** It refers to further packaging components necessary for storage and transportation of the product.

- **Functions of Packaging**
  - (i) Product identification
  - (ii) Product protection
  - (iii) Facilitating use of the product
  - (iv) Product promotion

**III. Labelling:** Labelling refers to designing and developing the label to be put on the package.

- **Label:** Labels are useful in providing detailed information about the product, its contents, method of use, etc.

**Functions of Labelling**

- (i) Describe the product and specify its contents
- (ii) Identify the product or the brand.
- (iii) Helps in grading of the products.
- (iv) Helps in promotion of the products.
- (v) Provides information required by law.

► **Price:** It is the amount paid by a buyer or received by a seller in consideration of the purchase/sale of a product.

● **Factors affecting Price determination**

- (i) Product cost
- (ii) Utility and demand
- (iii) Extent of competition in the market
- (iv) Government and legal regulations
- (v) Pricing objectives
- (vi) Marketing methods used

► **Physical Distribution:** It is concerned with making the goods and services available at the right place, so that people can purchase the same.

- **Components of Physical Distribution:** (i) Order Processing (ii) Transportation (iii) Warehousing (iv) Inventory Control

● **Channels of physical Distribution:**

**Direct Channel (Zero Level):** Goods are made directly available by the manufacturers to customers, without involving any intermediary.

- **Manufacturer-Retailer-Consumer (One Level Channel):** In this form of arrangement one intermediary *i.e.*, retailers is used between the manufacturers and the customers.

- **Manufacturer-Wholesaler-Retailer- Consumer (Two Level Channel):** Here the wholesaler and retailer function as connecting links between the manufacturer and consumer.

- **Manufacturer-Agent-Wholesaler-Retailer-Consumer (Three Level Channel):** In this case, manufacturers use their own selling agents or brokers who connect them with wholesalers and then the retailers.

► **Promotion mix:** It refers to a combination of tools used to communicate with potential customers to inform them about a product and persuading them to buy it.

● **Elements of a Promotion Mix**

- I. **Advertising:** It is an impersonal form of communication which is paid by the marketers to promote goods or services.

● **Merits of Advertising**

- (i) Mass reach
- (ii) Enhance customer satisfaction and confidence
- (iii) Expressiveness
- (iv) Economy

● **Limitations of Advertising:**

- (i) Less Forceful
- (ii) Lack of Feedback
- (iii) Inflexibility
- (iv) Low Effectiveness

● **Objections to Advertising**

- (i) Adds to cost
- (ii) Undermines social values
- (iii) Confuses the buyers
- (iv) Encourages sales of inferior products
- (v) Some advertisements are in bad taste

**II. Personal Selling:** It involves face-to-face contact between seller and the prospective customer for effecting a sale.

● **Merits of Personal Selling**

- (i) Flexibility
- (ii) Direct feedback
- (iii) Minimum wastage

● **Features of Personal Selling:**

- (i) Personal form
- (ii) Development of relationship

● **Importance of personal selling to businessmen:**

- (i) Effective promotional tool
- (ii) Flexible tool
- (iii) Minimises wastage of efforts
- (iv) Consumer attention
- (v) Lasting relationship
- (vi) Personal rapport
- (vii) Role in introduction stage
- (viii) Link with customers

● **Importance of personal selling to Customers:**

- (i) Help in identifying needs
- (ii) Latest market information
- (iii) Expert advice
- (iv) Induces customers

● **Importance of personal selling to Society**

- (i) Converts latest demand
- (ii) Employment opportunities
- (iii) Career opportunities
- (iv) Mobility of sales people
- (v) Product standardisation

**III. Sales Promotion:** It refers to short-term incentives, offered to encourage immediate sale of the product.

- **Merits of Sales Promotion**
    - (i) Attention value
    - (ii) Useful in a new product launch
    - (iii) Synergy in total promotional efforts
  - **Limitations of Sales Promotion**
    - (i) Reflects crisis
    - (ii) Spoils product image
  - **Sales Promotion Techniques**
    - (i) Rebate
    - (ii) Discount
    - (iii) Refunds
    - (iv) Product combination
    - (v) Quantity gift
    - (vi) Instant draws and assigned gifts
    - (vii) Lucky draw
    - (viii) Usable benefits
    - (ix) Full finance
    - (x) Sampling
    - (xi) Contests
- IV. **Public Relations:** It involves activities required to promote and protect the image of a company or its product.
- **Role of Public Relations**
    - (i) Press relations
    - (ii) Product publicity
    - (iii) Corporate communication
    - (iv) Lobbying
    - (v) Counselling
  - **Tools of Public Relations**
    - (i) Press releases
    - (ii) Press kits
    - (iii) Brochures
    - (iv) Newsletters
    - (v) Annual reports
    - (vi) Conferences and seminars



### Mnemonics

**Concept:** Elements of Promotion Mix:

**Mnemonics:** Special People Act Smartly

**Interpretations:**

**A:** Advertising

**P:** Personal Selling

**S:** Sales Promotion

**P:** Public Relations

## CHAPTER-12

# CONSUMER PROTECTION



### Revision Notes

- As per the Consumer Protection Act, 2019, a consumer is defined as a person who buys any good or avails a service for a consideration. It does not include a person who obtains a good for resale or a good or service for commercial purpose. It covers transactions through all modes including offline, and online through electronic means, teleshopping, multi-level marketing or direct selling.
- **Importance/Need of Consumer Protection:**
  - (i) **From the point of view of Consumer:**
    - (a) Educate consumers to avoid consumer ignorance.
    - (b) Protect and promote interests of unorganised consumers.
    - (c) Safeguard from widespread exploitation of consumers.
  - (ii) **From the point of view of Business:**
    - (a) Long-term interest of business
    - (b) Business uses society's resources
    - (c) Fulfils social responsibility
    - (d) Moral justification
    - (e) Avoids government intervention
- **Scope of The Consumer Protection Act, 2019:** The scope of the Act is very wide.
  - (i) Extends to the whole of India except the State of Jammu and Kashmir.
  - (ii) Applicable to all types of undertakings, big and small, whether in the private or public sector, or in the co-operative sector, whether a manufacturer or a trader.
  - (iii) Applicable to all goods and services.
  - (iv) Provides for protection of the interests of consumers by establishing authorities for timely and effective administration and settlement of consumers' disputes.
- **Consumer Protection Act, 2019:**
  - (i) **Who can file a complaint?**
    - (a) A consumer; or
    - (b) Any voluntary consumer association registered under any law for the time being in force; or
    - (c) The Central Government or any State Government; or
    - (d) The Central Authority; or
    - (e) One or more consumers, where there are numerous consumers having the same interest; or

- (f) In case of death of a consumer, his legal heir or legal representative; or
- (g) In case of a consumer being a minor, his parent or legal guardian.

**(ii) Consumer Rights:**

- (a) Be protected against marketing of goods and services which are hazardous to life and property.
- (b) Be informed of the quality, quantity, potency, purity, standard and price of goods or services.
- (c) Be assured of access to a variety of goods or services at competitive prices.
- (d) Seek redressal against unfair or restrictive trade practices.

**(iii) Consumer Responsibilities:**

- (a) Be aware about the variety of goods and services available
- (b) Ensure quality certification marks
- (c) Use products safely
- (d) Read labels carefully
- (e) Obtain cash memo
- (f) Form **consumer organisation**
- (g) File a complaint when required
- (h) Save the environment
- (i) Get a fair deal

**(iv) Reliefs available:**

- (a) Removal of defects
- (b) Replacement of goods
- (c) Compensation for loss or injury suffered
- (d) Refund of prices and punitive damages
- (e) Issue corrective advertisement
- (f) Withdrawal of hazardous goods from sale
- (g) Cease manufacturing of hazardous goods
- (h) Contribution in consumer welfare fund
- (i) Discontinue unfair trade practices

**Redressal Agencies Under the Consumer Protection Act, 2019:**

**(i) District Commission:**

- (a) Consists of one President and two other members (1 must be a woman)
- (b) Appointed by the concerned State Government
- (c) For disputes up to ₹ 1 crore
- (d) If unsatisfied by the decision of the District Commission, a consumer can approach the State Commission within 45 days of passing of the order

**(ii) State Commission:**

- (a) Consists of one President and minimum four other members (1 must be a woman)
- (b) For disputes from ₹ 1 crore to ₹ 10 crores
- (c) Appointed by the concerned State Government
- (d) If unsatisfied, appeal in the National Commission within 30 days of passing of the order

**(iii) National Commission:**

- (a) Consists of one President and four other members (1 must be a woman)
- (b) For disputes exceeding ₹ 10 crores
- (c) Appointed by the Central Government
- (d) If unsatisfied by the decision of the National

Commission, the consumer can appeal in the Supreme Court about a matter falling in its original jurisdiction within 30 days of passing of the order

- (e) In all other cases, the order of National Commission is final and cannot be challenged further

► **Role of Consumer Organisations and NGOs:** These are non-profit organisations which aim at protection and promotion of the interest of the consumers.

► **Several functions are as follows:**

- (i) Educating the general public about consumer rights by organising training programmes, seminars and workshops
- (ii) Publishing periodicals and other publications to impart knowledge about the consumer problems
- (iii) Carrying out comparative testing of consumer products in the accredited laboratories
- (iv) Encouraging consumers to strongly protest and take action against unfair trade practices
- (v) Providing legal assistance to the consumers
- (vi) Filing complaints in appropriate consumer courts on behalf of the consumers
- (vii) Taking an initiative in filing cases in the interest of general public

► **Important Consumer Organisations and NGOs:**

- (i) Consumer Coordination Council, Delhi
- (ii) Common Causes, Delhi
- (iii) Voluntary Organisation in Interest of Consumer Education (VOICE), Delhi
- (iv) Consumer Education and Research Centre (CERC), Ahmedabad
- (v) Consumer Protection Council (CPC), Ahmedabad
- (vi) Consumer Guidance Society of India (CGSI), Mumbai
- (vii) Mumbai Grahak Panchayat, Mumbai
- (viii) Karnataka Consumer Service Society, Bangalore
- (ix) Consumers Association, Kolkata
- (x) Consumer Unity and Trust Society (CUTS), Jaipur



## Mnemonics

**Concept:** Consumer Rights as per the Consumer Protection Act, 2019:

**Mnemonics:** Hey Champ, Remain Punctual In Class.

**Interpretations:**

**H:** Heard

**C:** Choose

**R:** Redressal

**P:** Protected

**I:** Informed

**C:** Consumer Awareness

**Concept:** Redressal agencies under the Consumer Protection Act, 2019:

**Mnemonics:** No Singing and Dancing!

**Interpretations:**

**N:** National Commission

**S:** State Commission

**D:** District Commission