

PART-A : PRINCIPLES AND FUNCTIONS OF MANAGEMENT

CHAPTER - 1 : STAFFING

Revision Notes

Staffing : Concept, Importance and Staffing Process

- **Staffing:** Staffing is one of the functions of management which relates to filling and keeping filled the positions in the organisation 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.
- **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.
- **Process of Staffing:**
 - (i) **Estimating manpower requirements:** Assess number and type of employees needed by an organisation in near future through workload 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.

Recruitment Process

- **Internal Sources of Recruitment:**
 - (i) **Meaning:** It refers to re-arrangement of existing staff to fill up the vacant jobs.
 - (ii) **Types:**
 - (a) Transfer
 - (b) Promotion
 - (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
- (b) Casual callers
- (c) Advertisement
- (d) Employment exchange
- (e) Placement agencies and management consultants
- (f) Campus recruitment
- (g) Recommendation of employees
- (h) Labour contractors
- (i) Web publishing

(iii) Advantages:

- (a) Attracts qualified personnel to apply for the jobs
- (b) Gives a wider choice to management while selection
- (c) Brings fresh talent in the organisation
- (d) Develops competitive spirit among the existing staff

(iv) Disadvantages:

- (a) Develops dissatisfaction among existing staff
- (b) Lengthy process
- (c) Heavy cost on advertisement and selection process

Selection Process**➤ Process of Selection**

- (i) **Preliminary Screening:** Elimination of unqualified and unfit job-seekers.
- (ii) **Selection Tests:** Measure certain characteristics of individuals.
- (iii) **Employment Interview:** In-depth conversation to evaluate applicant's suitability.
- (iv) **Reference and Background Check:** Verify and gain additional information about an applicant.
- (v) **Selection Decision:** Candidates who pass tests, interviews and reference checks are finally selected.
- (vi) **Medical Examination:** Candidate undergoes a medical fitness test.
- (vii) **Job Offer:** Letter of appointment is offered to the applicant for acceptance of the applicant.
- (viii) **Contract of Employment:** Contract documents are exchanged between the employer and the employee.

Training and Development**➤ Importance of Training and Development****(i) To the Organisation:**

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

(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.



Mnemonics

(i) Staffing Process:

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

(ii) External Sources of Recruitment

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

(iii) Selection Process:

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

Know the Terms

- **Human Resource Management:** It involves procuring, developing, maintaining and appraising a competent workforce to achieve goals efficiently and effectively.
- **Workload Analysis:** Assessment of the number and types of human resources necessary.
- **Workforce Analysis:** Assessment to reveal the number and type of human resources available.
- **Promotion:** Shifting an employee to a higher position, carrying higher responsibilities, facilities, status and pay.
- **Transfer:** Horizontal movement of employees from one branch or department to another.
- **Web publishing:** Using internet as a source of recruitment by providing information about both job-seekers and job openings.
- **Letter of appointment:** A letter informing the applicant that he has been selected and generally contains a date by which the appointee must report on duty.
- **Personality Test:** A test to provide clues to a person's emotions, her reactions, maturity and value system.
- **Intelligence Test:** A psychological test used to measure the level of intelligence quotient.
- **On-the-job training:** Training methods that are applied to the workplace, while the employee is actually working.
- **Off-the-Job training:** Training methods that are used away from the workplace.
- **Job rotation:** Training by shifting the trainee from one department to another or from one job to another to provide broader understanding of the business.



CHAPTER - 2 : DIRECTING

Revision Notes

Concept and Importance of Directing

- **Directing:** Complex managerial function consisting of all the activities that are designed to encourage subordinates to work effectively.
- **Characteristics of Directing:**
 - (i) Initiates actions
 - (ii) Takes place at every level of management
 - (iii) Continuous process
 - (iv) Flows from top to bottom
- **Importance of Directing:**
 - (i) Helps to initiate action
 - (ii) Integrates Employees' Efforts
 - (iii) Guides employees to fully realise their potential
 - (iv) Facilitates changes in the organisation
 - (v) Brings stability and balance in the organisation

Motivation

- **Features of Motivation:**
 - (i) Internal feeling
 - (ii) Produces goal-directed behaviour
 - (iii) Can be either positive or negative
 - (iv) Complex process
 - (v) Continuous process
 - (vi) Different from job satisfaction
- **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	(iii) Bonus
(ii) Productivity linked wage incentives	(v) Co-partnership/stock option
(iv) Profit sharing	(vii) Perquisites
(vi) Retirement benefits	
- **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

Leadership

- **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.

Communication

➤ **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:** Person 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 the people.



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Maslow's Need Hierarchy Theory of Motivation

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

Know the Terms

- **Motivation:** Process of making subordinates to act in a desired manner to achieve certain objectives.
- **Motive:** It is an inner state that energises, activates or directs individual's behaviour towards the goals.
- **Motivator:** The person who motivates or the elements while stimulate to do something.
- **Leadership:** Process of influencing the behaviour of people by making them strive voluntarily towards achievement of organisational goals.
- **Leadership qualities:** Traits applicable to good leaders that distinguish them from non-leaders.
- **Leadership styles:** Refers to theories of leadership behaviour and styles revealing certain traits and qualities which a leader might possess.
- **Communication:** Process of exchange of information between two or more persons to reach common understanding.
- **Grapevine:** Informal system of communication wherein the message spreads throughout the organisation disregarding the levels of authority.



CHAPTER - 3 : CONTROLLING

Revision Notes

➤ **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.
- (iv) **Both Backward and Forward Looking:** Links past and future.

➤ **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 co-ordination in action.

➤ **Controlling Process:**

- (i) **Setting performance standards:** Against which actual performance will be measured.
- (ii) **Measurement of actual performance:** Through personal observation, sample checking, etc.
- (iii) **Comparing actual performance with standards:** To reveal deviations from the set standards.
- (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

Controlling Process:

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

Know the Terms

- **Controlling:** Refers to comparison of actual performance with the planned performance and taking corrective action for deviations, if any.
- **Critical Point Control:** Focus on Key Result Areas (KRA) which are critical for the success of an organisation.
- **Management by Exception:** Only significant deviations which go beyond the permissible limit should be reported to the Management.



PART-B : BUSINESS, FINANCE AND MARKETING

CHAPTER - 4 : FINANCIAL MANAGEMENT

Revision Notes

Financial Management: Concept, Objective, Role and Financial Decisions

- **Financial Management:** It is concerned with decisions related to procurement and utilisation of funds.
- **Objectives of Financial Management:** The primary objective of financial management is to maximise shareholders' wealth. It means maximisation of the market value of equity shares. It can happen

through appropriate decision making. The secondary objectives include profit maximization, ensuring effective utilisation of funds, availability of funds at reasonable costs, liquidity, avoidance of idle finance, etc.

- **Role of Financial Management:** The role of financial management cannot be over-emphasised, since it has a direct bearing on the financial health of a business. 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.
- (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.
 Factors affecting financing decision are:
 - (a) Cost of funds
 - (b) Cost of floatation
 - (c) Cash flow position of business
 - (d) Control consideration
 - (e) Capital market situation
 - (f) Fixed operating cost
 - (g) Risk
 - (h) Return on investment
 - (i) Tax rate
 - (j) Flexibility
 - (k) Regulatory framework
- (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

Financial Planning

- **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

Capital Structure

- **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

Fixed and Working Capital

- **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 operation
(iii) Choice of technique	(iv) Technology upgradation
(v) Growth prospects	(vi) Diversification
(vii) Financing alternatives	(viii) Level of collaboration
- **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



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(i) Factors Determining the Capital Structure:

SIT and Decode 5C 3R 2F

S: Stock Market Conditions
I: Interest Coverage Ratio (ICR)
T: Tax Rate
D: Debt Service Coverage Ratio (DSCR)
C: Cash flow position
C: Cost of debt
C: Cost of Equity
C: Control
C: Capital structure of other companies
R: Return on Investment (RoI)
R: Risk consideration
R: Regulatory framework
F: Floatation costs
F: Flexibility

(ii) Factors affecting working capital Requirement

Can you Say No To Good Donuts For Life

C: Choice of Technique
S: Scale of Operations
N: Nature of Business
T: Technology Upgradation
G: Growth Prospects
D: Diversification
F: Financing Alternatives
L: Level of Collaboration

(iii) Factors affecting fixed capital Requirement

See Crying or SOBbing Can Give Lots of PAIN

S: Scale of Operations
C: Credit Allowed
S: Seasonal Factor
O: Operating Efficiency
B: Business Cycle
C: Credit Availed
G: Growth Prospects
L: Level of competition
P: Production Cycle
A: Availability of Raw Material
I: Inflation rate
N: Nature of Business

Know the Terms

- **Financial Management:** It is concerned with the optimum procurement as well as the usage of finance.
- **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 Payout:** Proportion of earnings paid out as dividends to shareholders.
- **Financial Blueprint:** It refers to a comprehensive financial plan.
- **Shareholder's wealth:** Refers to the value that shareholders have in the company. It is also known as shareholder's equity.
- **Floatation cost:** Cost involved in the issue of securities.
- **Financial risk:** Risk of inability to meet fixed financial charges.
- **Business risk:** Risk of inability to meet fixed operating costs as well as fixed financial charges.
- **Fixed capital:** It is the money invested in fixed assets like land, machinery, etc., which is to be used over a long period of time.

- **Management of Fixed Capital:** It involves allocation of firm's capital to different projects or assets with long-term implications for the business. These are called Investment decisions or Capital Budgeting decisions.
- **Working Capital:** It is the money invested in current assets like stock, debtors, etc. to facilitate smooth day-to-day operations of the business. It is the excess of current assets over current liabilities.
- **Production cycle:** Time span between the receipt of raw material and their conversion into finished goods.



CHAPTER - 5 : FINANCIAL MARKETS

Revision Notes

Financial Markets and Its Types

➤ Functions of Financial Markets:

- (i) **Facilitates price discovery:** Price is determined where demand and supply of funds intersect.
- (ii) **Mobilisation of savings and channelising them into the most productive use:** Facilitates transfer of savings from the savers to the investors.
- (iii) **Provides liquidity to financial assets:** Facilitates easy purchase and sale of financial assets.
- (iv) **Reducing the cost of transaction:** Save time, effort and money by providing valuable information about securities.

➤ Types of Financial Markets:

- (i) Money Market
- (ii) Capital Market

➤ **Money market:** Market for short-term funds and securities having maturity upto one year.

➤ **Types of money market instruments:** Following are the money market instruments:

(i) **Commercial paper:**

- (a) Issued by the large and creditworthy companies.
- (b) Maturity period is 15 days to 1 year.
- (c) Usually, issued at discount and redeemed at par.
- (d) Used for bridge financing.

(ii) **Call money:**

- (a) A bank borrows call money from other banks.
- (b) Used to maintain cash reserve ratio.
- (c) Maturity period is from 1 day to 15 days.

(iii) **Certificate of deposit:**

- (a) Issued by commercial banks and financial institutions.
- (b) Used to meet high demand for credit.

(iv) **Commercial bill:**

- (a) Issued by firms to meet working capital requirements.
- (b) Trade bill, when accepted by bank, becomes a commercial bill.

(v) **Treasury bill:**

- (a) Issued by RBI on behalf of Government of India.
- (b) Issued at discount and redeemed at par.
- (c) Maturity period is from 14 days to 364 days.
- (d) Also called Zero Coupon Bonds.

➤ **Capital Market:** Capital market includes all those organisations, institutions and instruments that provide long-term and medium-term funds through shares, bonds, debentures, etc.

➤ **Components 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. The various methods of floatation are:

- | | |
|------------------------------|-----------------------|
| (a) Offer through prospectus | (c) Private placement |
| (b) Offer for sale | (e) e-IPOs |
| (d) Right issue | |

(ii) **Secondary Market:** It refers to the market for sale and purchase of previously issued securities. It is also known as Stock Exchange.

Stock Exchange

➤ **Stock Exchange:** It is an institution which provides a platform for buying and selling of existing 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
- **Depository:**

It is an organisation which holds securities in electronic form at a request of investors through registered depository participant. The two main depositories in India are NSDL and CDSL.
- **Demat Account:**

An account, also known as 'beneficial owner' (BO) account which is opened with a Depository Participant (DP) for holding and transferring securities in demat form.

SEBI

- **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 develop the code of conduct
- **Functions of the SEBI:**
 - I. Regulatory Functions:**
 - (i) Registration of players in the market
 - (ii) Registration of investment schemes
 - (iii) Regulation of intermediaries
 - (iv) Regulation of takeover bids
 - (v) Calling for information
 - (vi) Levying fees
 - (vii) Others as delegated by the Government of India
 - II. Developmental Functions:**
 - (i) Training of intermediaries
 - (ii) Conducting research
 - (iii) Developing capital markets
 - III. Protective Functions:**
 - (i) Prohibition of unfair trade practices
 - (ii) Controlling insider trading
 - (iii) Investors' protection
 - (iv) Promotion of fair practices and code of conduct



Mnemonics

(i) Methods of floatation in the primary market:

POOR Eyesight

P: Private placement

O: Offer through prospectus

O: Offer for sale

R: Right issue

E: e-IPOs

(ii) Money Market Instruments

Caution 4 Travellers

T: Treasury bills

C: Commercial paper

C: Call money

C: Certificate of deposit

C: Commercial bills

(iii) Trading Procedure on a Stock Exchange:
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
(iv) Players in the depository system:
DID your Breakfast?
D: Depository I: Issuer D: Depository participant B: Beneficial owner
(v) Objectives of SEBI:
Paris and Rome are Dream Places
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
(vi) Functions of the SEBI:
Pretty Red Dress
P: Protective Functions R: Regulatory Functions D: Developmental Functions

Know the Terms

- **Financial Market:** It is a market for the creation and exchange of financial assets. It brings lenders and borrowers together, making available funds to those who wish to pay for their use.
- **Bridge Financing:** When funds are raised through commercial paper to meet the floatation costs.
- **Cash Reserve Ratio:** Share of a bank's deposit that is mandated by RBI to be maintained with it in the form of cash.
- **Broker:** An individual or institution who buys or sales securities on behalf of others.
- **Bull:** A speculator who expects a rise in the prices.
- **Bear:** A speculator who expects a fall in the prices.
- **Sensex:** Benchmark index of BSE.
- **Nifty:** Benchmark index of NSE.
- **NASDAQ:** National Stock Exchange of America.
- **Insider trading:** Insiders use the privileged information to make personal profits.
- **Statutory body:** A non-constitutional authority which is set up by the parliament.
- **Underwriter:** A financial institution that pledges to buy all the unsold shares in an issue of new shares.
- **Price Rigging:** Manipulating market prices of securities.



CHAPTER - 6 : CONSUMER PROTECTION

Revision Notes

➤ Importance/Need of Consumer Protection:

- From the point of view of Consumer:**
 - Educate consumers to avoid consumer ignorance
 - Protect and promote interests of unorganised consumers
 - 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) Fulfills social responsibility
- (d) Moral justification
- (e) Avoids Government intervention

➤ Scope of The Consumer Protection Act, 2019:

The scope of the Act is very wide.

- (a) Extends to the whole of India except the State of Jammu and Kashmir
- (b) 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
- (c) Applicable to all goods and services
- (d) 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) Consumer Rights:**

- (a) **Right to be Protected:** Against goods and services hazardous to life and property
- (b) **Right to be Informed:** Of true, accurate and adequate information about a product
- (c) **Right to Choose:** From a variety of products at competitive rates
- (d) **Right to be Heard:** By filing complaints if dissatisfied
- (e) **Right to Seek Redressal:** Get relief or compensation against exploitation
- (f) **Right to Consumer Awareness:** To become a well-informed consumer

(ii) 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

(iii) 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
- (b) Appointed by the concerned State Government
- (c) For disputes upto ₹ 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
- (b) For disputes from ₹ 1 crore to ₹ 10 crore
- (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
- (b) For disputes exceeding ₹ 10 crore
- (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 the order
- (e) In all other cases, the order of National Commission is final and cannot be challenged further



Mnemonics

(i) Consumer Rights as per the Consumer Protection Act, 2019:

Hey Champ, Remain Punctual In Class.

H: Heard
 C: Choose
 R: Redressal
 P: Protected
 I: Informed
 C: Consumer Awareness

(ii) Redressal agencies under the Consumer Protection Act, 2019:

No Singing and Dancing!

N: National Commission
 S: State Commission
 D: District Commission

Know the Terms

- **Consumer Protection:** It refers to the act of providing adequate protection to the consumers against the unscrupulous, exploitative and unfair trade practices of producers and traders.
- **Consumer:** Consumer is a person who uses the consumer goods or avails of any service.
- **Caveat emptor:** Let the Buyer Beware.
- **Caveat venditor:** Let the Seller Beware.
- **Standardised marks:** Quality assurance marks.
- **Punitive damages:** Punishable damages.
- **Redressal agency:** An organization that provides service by providing a remedy or compensation for a wrong or grievance.