Kendriya Vidyalaya Sangathan
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Subject: Business Studies

UNDER THE ABLE GUIDANCE OF

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<u>UNIT- I – 16 MARKS (CHAPTER- 1, 2 & 3)</u>
<u>Chapter 1-Nature and Significance of Management</u>

Meaning of Management: Management is defined as a process of **getting things done with the aim of achieving goals effectively and efficiently.**

<u>Effectiveness vs. Efficiency</u>

Being effective or doing work effectively basically means **finishing the given task in given time.**
Efficiency means doing the **task correctly and with minimum cost.**

Characteristics/Features of Management

(i) Management is a goal-oriented process (ii) Management is all pervasive (iii) Management is multidimensional (work, people, operations) (iv) Management is a continuous process (v) Management is a group activity (vi) Management is a dynamic function (vii) Management is an intangible force

Objectives of Management

(i) **Organisational Objectives (***Survival, Profit, Growth)*
(ii) **Social objectives (**Non-business/ social obligation-e.g. Employment Opportunities)
(iii) **Personnel objectives (e.g.** Competitive salaries and perks for employees)

Importance/Significance of Management

(i) Management helps in achieving group goals (ii) Management increases efficiency
(iii) Management creates a dynamic organisation (iv) Management helps in achieving personal objectives
(v) Management helps in the development of society

Functions/Elements/Process of Management

(i) Planning (ii) Organising (iii) Staffing (iv) Directing (v) Controlling

Nature of Management

(A) Management as an Art: (i) Existence of theoretical knowledge **(**√**)** (ii) Personalised application **(**√**)** (iii) Based on practice and creativity (√) **(<u>Management can be said to be an art since it satisfies the all criteria</u>)**
(B) Management as a Science: (i) Systematised body of knowledge **(**√**)** (ii)Principles based on experimentation **(**√**-human beings**) (iii) Universal validity **(**X**) (<u>Since management deals with human beings and human behaviour, the outcomes of these experiments are not capable of being accurately predicted or replicated. Therefore, management can be called an inexact science/soft science/social science</u>.)**
(C) Management as a Profession: (i) Well-defined body of knowledge **(**√**)** (ii) Restricted entry **(**X**)** (iii) Professional association **(**X**)** (iv) Ethical code of conduct **(**X**)** (v) Service motive **(**X**) (<u>Management does not meet the exact criteria of a profession</u>.) {* Fit (**√**) and Not Fit (**X**)}**

Levels of Management

(i) **Top Level Management (**Responsible for all the activities of the business and for its impact on society. **e.g.** Chairman, Chief Executive Officer, Chief Operating Officer, President and Vice-President)
Functions: (a) Integrate diverse elements and coordinate the activities. (b) Responsible for the welfare and survival of the organisation. (c) Analyse the business environment (d) Formulate Organisational goals and strategies.
(ii) **Middle Level Management:** (Link between top and lower level managers, known as division heads, e.g. Production Manager, responsible for implementing and controlling plans and strategies and activities of first line managers.)-
Functions: (a) Interpret the policies. (b) Ensure that their department has the necessary personnel, (c) Assign necessary duties and responsibilities, (d) Motivate personnel (e) Co- operate with other departments.
(iii) **Supervisory or Operational Level Management: (e.g.** Foremen and supervisors, known as **First Line Managers**)-
Functions: (a) Oversee the efforts of the workforce. (b) Pass on instructions to the workers.(c) Ensures quality of output is maintained, wastage of materials is minimised and safety standards are maintained.

Coordination — The Essence of Management: The process by which a manager **synchronises** the activities of different departments is known as coordination. Coordination is the **force that binds all the other functions** of management.
Characteristics/Features of Coordination: (i) Coordination integrates group efforts (ii) Coordination ensures unity of action (iii) Coordination is a continuous process (iv) Coordination is an all pervasive function (v) Coordination is the responsibility of all managers (vi) Coordination is a deliberate function.
Importance/Significance of Coordination:
(i) Growth in size (ii) Functional differentiation (iii) Specialisation

<u>Chapter 2-PRINCIPLES OF MANAGEMENT</u>

A managerial principle is a broad and general guideline for decision-making and behaviour.
Techniques vs. Principles:
Techniques are **procedures** or methods, which involve a series of steps to be taken to accomplish desired goals.
Principles are **guidelines** to take decisions or actions while practicing techniques.

Nature of Principles of Management	Significance of Principles of Management
(i) Universal applicability	(i) Providing managers with useful insights into reality
(ii) General guidelines	(ii) Optimum utilisation of resources and effective administration
(iii) Formed by practice and experimentation	(iii) Scientific decisions
(iv) Flexibile	(iv) Meeting changing environment requirements
(v) Mainly behavioural	(v) Fulfilling social responsibility
(vi) Cause and effect relationships	(vi) Management training, education and research
(vii) Contingent	

Taylor's Scientific Management: Scientific management means knowing exactly what you want men to do and seeing that they do it in the best and cheapest way.

Principles of Scientific Management

(i) **Science not Rule of Thumb:**	**One best method** to maximise efficiency that can be developed **through study and analysis**.
(ii) **Harmony, Not Discord:**	Complete harmony between the management and workers, **mental revolution** on the part of both management and workers.
(iii) **Cooperation, Not Individualism:**	**Competition should be replaced by cooperation**.
(iv) **Development of Each and Every Person to His or Her Greatest Efficiency and Prosperity:**	Worker **training and selection** should be **scientifically** done.

Techniques of Scientific Management

Functional Foremanship	**Extension of the principle of division of work** and in **contradiction to unity of command**.
Standardisation and Simplification of Work	**Standardisation** refers to the process of **setting standards of process**, raw material, time, product, machinery, methods or working conditions. **Simplification** aims at **eliminating superfluous varieties**, sizes and dimensions.
Motion Study	Study of movements like lifting, putting objects, sitting and changing positions, etc. **Unnecessary movements** are sought to be **eliminated.**
Time Study	**Standard time** taken to perform a well-defined job.
Fatigue Study	Seeks to determine the **amount and frequency of rest intervals** in completing a task.
Differential Piece Wage System	Differentiate between **efficient and inefficient workers** on the basis of these standards and given **different rate of wage payment.**

Fayol's Principles of Management

(i) **Division of Work**	**Specialization**, work can be performed more efficiently.
(ii) **Authority and Responsibility**	**Balance** between authority and responsibility.
(iii) **Discipline**	Obedience to organisational **rules and employment agreement.**
(iv) **Unity of Command**	**One and only one boss** for every individual employee. Dual subordination should be avoided.
(v) **Unity of Direction**	**One head and one plan.**
(vi) **Subordination of Individual Interest to General Interest**	The interests of an organization should take priority over the interests of any one individual employee.
(vii) **Remuneration of Employees**	**Fair** to both employees and the organisation.
(viii)**Centralisation and Decentralisation**	**Balance** subordinate involvement through decentralization with managers' retention of final authority through centralisation.
(ix) **Scalar Chain**	The **formal lines of authority** from highest to lowest ranks are known as scalar chain. **Gang Plank is a shorter route** so that communication is not delayed
(x) **Order**	**'A place for everything (everyone) and everything (everyone) in its (her/his) place'.**
(xi) **Equity**	**No discrimination** against anyone on account of sex, religion, language, caste, belief or nationality etc.
(xii) **Stability of Personnel**	Selected employees should be kept at their post/ position for a minimum fixed tenure. **Employee turnover** should be minimized.
(xiii) **Initiative**	Workers should be **encouraged** to develop and carry out plans for improvements.
(xiv) **Esprit De Corps**	Promote a **team spirit** of unity and harmony among employees.

Chapter-3 BUSINESS ENVIRONMENT

Meaning: 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/Characteristics	Importance/Significance
(i) **Totality of external forces (**Aggregative in nature)	(i) It enables the firm to identify opportunities and getting the first mover advantage.
(ii) **Specific** (Such as investors, customers, competitors and suppliers) **and General Forces** (such as social, political, legal and technological conditions)	(ii) It helps the firm to identify threats and early warning signals.
(iii) **Inter-relatedness (**Aggregative in nature closely interrelated.)	(iii) It helps in tapping useful resources: **convert those resources into outputs that the environment desires.**
(iv) **Dynamic nature (**Keeps on changing)	(iv) It helps in coping with rapid changes
(v) **Uncertainty (**Difficult to predict future happenings)	(v) It helps in assisting in planning and policy formulation
(vi) **Complexity** (Easier to understand in parts but difficult to grasp in its totality.)	(vi) It helps in improving performance
(vii) **Relativity (**Differs from country to country and even region to region.)	

Dimensions/Elements/Types of Business Environment

(i) **Economic**	Interest rates, inflation rates, changes in disposable income of people, stock market indices, value of rupee, role of private and public sectors, rates of growth of GNP and per capita income at current and constant prices, Rates of saving and investment, Volume of imports and exports, Balance of payments, foreign exchange reserves, Agricultural and industrial production trends, Expansion of transportation and communication facilities, Money supply, Public debt (internal and external).
(ii) **Social**	Customs and traditions, values, social trends, society's expectations , product innovations, lifestyles, occupational distribution and consumer preferences, quality of life, Life expectancy, Expectations from the workforce, presence of women in the workforce, Birth and death rates, Population shifts, Educational system and literacy rates, Consumption habits, Composition of family
(iii) **Technological**	Scientific improvements, innovations, upgradation, new methods and techniques etc.
(iv) **Political**	Political conditions such as general stability and peace, Degree of Politicisation of business and economic issues, Dominant ideologies of major political parties, nature, morality and profile of political leadership and thinking of political Personalities, extent government intervention, nature of relationship with foreign countries
(v) **Legal**	Various legislations passed by the Government Administrative orders issued by government authorities, court judgments

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UNIT- II – 14 MARKS (CHAPTER- 4 & 5)

Chapter 4- PLANNING

PLANNING: - Planning is the process of deciding in advance the future courses of action i.e.

What is to be done? When is to be done?
How is to be done? By whom it is to be done? Etc.

FEATURES OF PLANNING

(i) Focuses on achieving objectives (ii) Primary function of management (iii) Pervasive
(iv) Continuous Process (v) Futuristic (vi) Involves decision making (vii) Mental exercise

IMPORTANCE OF PLANNING

1	**Planning provides directions**	By stating in advance how work is to be done planning provides direction for action.
2	**Planning 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.
3	**Planning reduces overlapping and wasteful activities**	In Planning the work of each person and department is clearly decided. It helps in avoiding confusion and misunderstanding.
4	**Planning promotes innovative ideas**	During discussions for planning, new ideas may be presented by managers/individuals.

5	**Planning facilitates decision making**	During planning the manager has to evaluate each alternative. This helps them in taking decision for selection of best alternative.
6	**Planning establishes standards for controlling**	Planning provides the goals or standards against which actual performance is measured for controlling.

<u>LIMITATIONS OF PLANNING</u> (Le I Re Do Do T.C.)

1	**Leads to Rigidity**	Managers have to work according to pre-decided plan they may not be in a position to change it.
2	**Involves Huge Cost**	Planning includes expenses for collection of information, salary of specialists for analysis, paper work, board meeting etc.
3	**Reduces Creativity**	Middle management and other decision makers are neither allowed to deviate from plans nor are they permitted to act on their own. It reduces their creativity.
4	**Does Not Work in Dynamic Environment**	Business environment changes very frequently. It becomes difficult to accurately assess future trends in the environment
5	**Does Not Guarantee of Success**	Generally, manager rely on previous successful plans. Such type of planning may not give success.
6	**Time Consuming Process**	Conducting meetings and discussions for preparing plans takes a lot of time.

<u>PROCESS OF PLANNING</u> (Set DIES ImFo)

1	**Setting Objectives**	Objectives may be set for the entire organisation and each department or unit within the organisation.
2	**Developing Premises**	Planning is concerned with the future which is uncertain and every planner is using conjuncture about what might happen in future.
3	**Identifying alternative courses of action**	Once objectives are set, assumptions are made. Then the next step would be to find out various alternative to achieve the goal.
4	**Evaluating alternative courses**	The next step is to weigh the pros and cons of each alternative.
5	**Selecting an alternative**	This is the real point of decision making. The best plan has to be adopted for implementation.
6	**Implementing the plan**	This is concerned with putting the plan into action.
7	**Follow-up action**	Monitoring the plans are equally important to ensure that objectives are achieved.

Chapter 5- <u>ORGANISING</u>

<u>ORGANISING</u>: **-** Organising is the process of defining and grouping the activities of the enterprise and establishing authority relationship among them.

<u>IMPORTANCE OF ORGANISING</u>

1.	**Benefits of specialisation**	Because of the specific workers performing a specific job on a regular basis. Repetitive performance of a particular task leads to Specialisation.
2.	**Clarity in working relationships**	The establishment of working relationships clarifies who is to report to whom.
3.	**Optimum utilisation of resources**	Organising provides a clear description of jobs and related duties. This helps to avoid confusion and duplication.
4.	**Adaptation to change**	It allows the organisation structure to be suitably modified to accommodate environmental changes.
5.	**Effective administration**	Organising provides a clear description of jobs and related duties. This helps to avoid confusion and duplication.
6.	**Development of personnel**	Effective delegation allows the managers to reduce their workload by assigning routine jobs to their subordinates. It gives them time to explore areas for growth.

<u>PROCESS OF ORGANISING</u> (IDAE)

I	Identification and division of work
D	Departmentalisation
A	Assignment of duties
E	Establishing authority and reporting relationships

<u>SPAN OF MANAGEMENT</u>: - Span of Management refers to the number of subordinates that can be effectively managed by a superior.
<u>CENTRALISATION OF AUTHORITY</u>: - When all the authorities are kept with Top Level management, it is known as centralisation of authority.
<u>ORGANISATION STRUCTURE</u>: - Organising structure can be defined **as the framework within which managerial and operating tasks are performed**. **(Two Types – Functional and Divisional Structure)**

<u>FUNCTIONAL STRUCTURE</u>	**<u>DIVISIONAL STRUCTURE</u>**
The organisation structure which is created **on the basis of grouping of similar functions.**	The organisational structure which is created **on the basis of different products.**
<u>Advantages</u> (Le Le MAP)	**<u>Advantages</u> (Pro Pro Fa Fa Fi)**
1. Leads to occupational specialisation	1.. Product specialisation
2. Leads to minimal duplication	2.. Promotes flexibility and initiative
3. Makes training of employees easier	3.. Facilitates expansion and growth
4. Attention on every function	4.. Faster decision making
5. Promotes control and coordination within a department	5.. Fixation of responsibility-Divisional heads are accountable for profits
<u>Limitations</u> (Less Conflict Leads to Problems)	**<u>Limitations</u> (Ignore Duplicate Conflict)**
1. Less emphasis on overall enterprise objectives	1.. Conflict among different divisions
2. Conflict of interests	2.. Duplication of activities
3. Leads to inflexibility	3.. Ignore organisational interests
4. Problems in coordination	
<u>Suitability</u>: It is most **suitable when the size of the organisation is large**, has a **diversified activities** and operations require a **high degree of specialisation**.	**<u>Suitability</u>**: It is **suitable for** those business enterprises where a **Large variety of products** are manufactured using different productive resources. **Suitable for growing organisations.**

<u>DELEGATION OF AUTHORITY</u>: Delegation refers to the downward transfer of authority **<u>from a superior to subordinate to reduce the workload of the superior.</u>**	**<u>DECENTRALISATION OF AUTHORITY</u>: -** Decentralisation of authority is delegation of authority **<u>to all the levels of management</u>**. It means distribution of authority **<u>up to the lowest level</u>**.

Difference Between

Delegation	**Basis**	**Decentralisation**
Compulsory act because no individual can perform all tasks on his own.	**1. Nature**	Optional policy decision. It is done at the discretion of the top management.
More control by superiors hence less freedom to take own decisions.	**2. Freedom of action**	Less control over executives hence greater freedom of action.
It is a process followed to share tasks.	**3. Status**	It is the result of the policy decision of the top management.
Narrow scope as it is limited to superior and his immediate subordinate.	**4. Scope**	Wide scope as it implies extension of delegation to the lowest level of management.
To reduce the workload/burden of the superior.	**5. Purpose**	To increase the role of the subordinates in the organisation or to give more autonomy to subordinates.

Importance of Delegation	**Importance of Decentralisation (Q De De Re F,B)**
1. Effective management	1.. Quick decision making
2. Employee development	2.. Develops managerial talent for the future
3. Motivation of employees	3.. Develops initiative among subordinates
4. Basis of management hierarchy	4.. Relief to top management
5. Facilitates growth	5.. Facilitates growth
6. Better **coordination**	6.. Better **control**

Elements of Delegation of Authority (Three elements)

Basis	Authority	Responsibility	Accountability
Meaning	Authority refers to the right of an individual to command his subordinates and to take action within the scope of his job position.	Responsibility is the obligation of a subordinate to properly perform the assigned duty.	Delegation of authority, undoubtedly empowers an employee to act for his superior but the superior would still be accountable for outcome.
Delegation	Can be delegated.	Cannot be entirely delegated.	Cannot be delegated at all.
Origin	Arises from formal position.	Arises from delegated authority.	Arises from responsibility
Flow	Flows downward from superior to subordinate.	Flows upward from subordinate to superior.	Flows upward from subordinate to superior

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UNIT- III– 20 MARKS (CHAPTER- 6,7 & 8)

CHAPTER: 6 -STAFFING

Meaning: "Staffing consist of Estimating Manpower requirement, Recruitment, Selection, Training, Compensation, Promotion of managerial personal."

	Staffing Process	Explanation
1.	**Estimating Man-power Requirement**	Finding out number and types of employee. It Includes- **a) Work Load Analysis-** Number and types of persons required, **b) Work Force Analysis-** Persons Available to do the job.
2.	**Recruitment**	It refers to identification of the sources of manpower availability and making efforts to secure applicants for the various job positions in an organization.
3.	**Selection**	It is the process of choosing and appointing the right candidates for various jobs in an organization through various exams, tests & interviews.
4.	**Placement and Orientation**	**Placement** is telling the employee it's place of work. **Orientation** refers to introducing a new employee to the organization.
5.	**Training and Development**	Training helps in **increasing the skills and knowledge** of employees in doing their jobs through various methods. Development involves **growth of an employee in all respects**.
6.	**Compensation**	Payment of **salary and wages** to employee.
7.	**Performance Appraisal/Report**	Checking the performance of the employee on pre-decided standards.
8.	**Promotion**	Hierarchically upward movement of the employee.

Types or Sources of Recruitments: Internal Recruitment and External Recruitment

1.Transfers	**Internal**	Shiftingof an employee from one job to another, from one department to another
2.Promotions		It refers to **shifting an employeeto a higher position** carrying higher responsibilities, prestige, facilities and pay.
3. Direct Recruitment	**External**	A notice is placed on the notice board of the enterprise specifying the details of the jobs available.
4.Casual callers		Many reputed business organizations keep a data base of unsolicited applicants in their office. This list can be used for Recruitment of candidate in future.
5.Advertisement		Example–Newspapers, Periodicals, Internet, Radio, Television etc.
6.Employment Exchange		A good source of recruitment for unskilled and skilled operative jobs. It is managed by Government.
7.Campus Recruitment		Companies go to the Campuses of reputed technical and non-technical colleges and institutions for recruitment.
8. Web publishing		Certain websites specifically designed for providing information regarding job seekers and companies which have vacancies.
9. Placement Agencies and Management consultant		Placement agencies provides nation-wide services of matching demand and supply of work force. These agencies run by private people. Generally, Placement Agencies place middle and lower level workers and Management Consultant place Top level managers.

SELECTION PROCESS

1.	**Preliminary Screening**	After applications have been received, they are properly checked for qualification, age, gender etc.by screening committee.
2.	**Selection Tests**	Includes intelligence tests, aptitude test, personality test, trade and interest tests.
3.	**Employment Interviews**	Face to face interaction between employer and candidate to check candidate's personality confidence, knowledge.
4.	**Reference Checks**	Prior to final selection, the prospective employer makes an investigation of the references supplied by the applicants.
5.	**Selection Decisions**	A list of candidates who clear the employment tests, interviews and reference checks is prepared and then the selected candidates are listed in order of merit.
6.	**Medical Examination**	Is done to check medical conditions of employee before his joining.
7.	**Job Offer**	Formally appointed by issuing him an Appointment Letter.
8.	**Contract of Employment**	After acceptance, both employer and employee will sign a contract of employment contains terms & conditions, pay scale, leave etc.

TYPES OF SELECTION TESTS

1.	**Intelligence tests**	To check intelligence quotient and ability to take decisions and learning new skills.
2.	**Aptitude test**	To check person's ability to learn new jobs.
3.	**Personality test**	To check the emotions, reactions, maturity and value system of the candidate.
4.	**Trade test**	To check the existing knowledge.
5.	**Interest tests**	To know the pattern of interest or involvement of a person.

METHODS OF TRAINING

1.	**Apprenticeship training**	**Trainee/worker** is required to **work under trainer/master worker** for a specific period of time and acquire skills. It Is used for training of plumbers, electrician.
2.	**Internship**	It is an **agreement between corporate sector and professional institutions** to send their students to companies to practice theoretical knowledge they learned in professional bodies.
3.	**Induction or Orientation**	This is a process of welcoming the employee when he joins the company.
4.	**Vestibule training**	Workers work on same types of equipment but away from actual work place.

IMPORTANCE OF TRAINING

IMPORTANCE TO EMPLOYEE	**IMPORTANCE TO COMPANY/ORGANIZATION**
Better carrier option	Reduce learning time
Earning more	Better performance of employees
Boost and morale of employees	help in solving man power requirements
Less chance of accidents	Attitude formation
	Help in adoption of change

DIFFERENCE BETWEEN TRAINING AND DEVELOPMENT

Base	**Training**	**Development**
Concept	Teaching of technical skills	Teaching technical human and conceptual skills
Nature	Focus on developing skills which are already possessed by employee	Development of hidden skills
Duration	Short term and fixed period	It is a long-term process
Centered	It is work centered	It is people centered.
Method used	On the job and off the job method	Normally off the job methods.

CHAPTER-7 DIRECTING

Directing is telling people what to do and seeing that they do it best of their ability.

ELEMENTS OF DIRECTING	
SUPERVISION	To see, instruct, guide, monitoring and observing the employees.
MOTIVATION	Stimulating, inducing employees to perform to their best of ability.
LEADERSHIP	It is a process of influencing the behavior of employees at work towards the achievement of the goals of the organization.
COMMUNICATION	It is the exchange of ideas, views, message information, between two or more persons using different methods to create common understanding.

MASLOW'S THEORY OR NEED BASE THEORY OF MOTIVATION

S.No	Stage	**Explanation** (Ba S Be E S or Ba Sa Social EsSe)
1	**Basic Physiology needs**	Includes needs for survival and maintenance of life. Like food shelter and clothing.
2.	**Safety needs**	It deals with future needs and safety of human life.
3.	**Social/Belonging needs**	It deals with need for love, affection and companionship.
4.	**Esteem needs**	It deals with demand of respect for themselves in a group.
5.	**Self-actualization needs**	It deals with realization of one's full potential. It includes growth self fulfilment and achievement of goal.

ASSUMPTIONS OF MASLOW'S THEORY

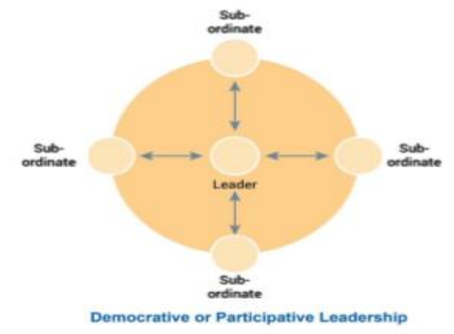
1. Behavior of people depends upon their needs. Human behavior can be changed motivated by fulfilling their needs.
2. Generally, needs flow in hierarchy i.e. starting from Physiology needs to self actualisation needs.
3. A satisfied need can no longer motivated a person, only the next higher need can motivate him.
4. A person can move to higher level need only when the lower need is satisfied.

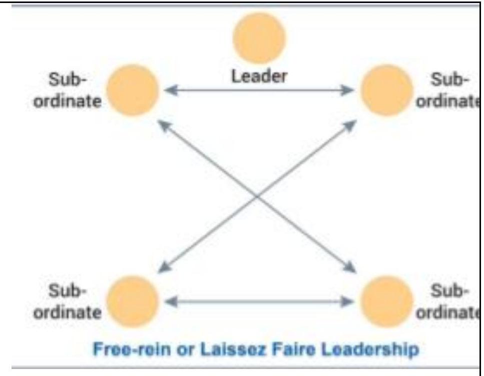
FINANCIAL AND NON-FINANCIAL INCENTIVES

S.N.	Incentive	Type	Explanation
1	**Pay and Allowance**	**Financial**	Regular salary payment and various allowances
2.	**Profit Sharing**		Sharing of profit by management with employees.
3	**Co-Partnership /Stock Option**		Offering of shares to employees and lower rate in form of ESOPs.
4.	**Bonus**		It is one-time extra reward offered to the employee for higher performance.
5.	**Commission**		As a percentage of sales given to sales person for achieving the sales targets
6	**Retirement Benefits**		Some organizations offer benefits like gratuity, pension, provident fund etc. at the time of retirement of employee
7.	**Perks/Fringe Benefits**		Special benefits like medical facilities, free education for children, housing facilities.
8.	**Status**	**Non-financial**	Refers to Rank, authority, responsibilities, recognition and prestige.
9.	**Organizational Climate**		It refers to relationship between superior and subordinate. It directly influences the behavior of employee.
10.	**Career Advancement**		Promotional opportunities given to employees. It improves the skills of employees.
11.	**Job Enrichment**		Making the job of employees more interesting to avoid boredom in job by offering more varieties and challenges in job.

STYLES OF LEADERSHIP

S.N.	Basis	**Autocratic/ Authoritative**	**Democratic/ Participative**	**Laissez Faire/ Free Rein**
1.	**Decision Making**	Only leaders make the decisions.	Leaders make decision in consultation with subordinate	Subordinates make the decisions
2.	**Communication**	Only one way i.e. downward.	Two-way of communication	Free flow of communication
3.	**Motivation technique**	Fear and punishment (negative motivation)	Reward and involvement (positive motivation)	Self-direction and self-control.
4.	**Delegation of authority**	No delegation	Delegation of authority to some extent	Complete delegation of authority
5.	**Focus**	Leader control	Group control	Individual centered
6.	**Role of leader**	Provides directions	Maintains team work	Provides support and resources





COMMUNICATION

Difference between formal and informal communication.

S.N.	Basis	Formal Communication	Informal Communication
1.	Meaning	Official communication at official place between people who are officially related with each other.	It is communication taking place among employees of the organization to full fil their social needs
2.	Flow	Generally, it is upward, downward and horizontally.	It flows in all directions.
3.	Verbal or written	Generally, it is written.	It is mostly verbal.
4.	Scope for rumors	Under this there is no scope for rumors as it is mostly written	There is great chance of rumors as it has no direction
5.	Scalar chain	It follows scalar chain	It does not follow scalar chain.
6.	Purpose	It is for official purposes only	It is for social purposes only.

CHAPTER-8 CONTROLLING

Controlling is a process of comparison of actual performance with the planned performance. If there is any difference or deviations finding out the reasons for it and taking corrective actions to remove those deviations.

PROCESS OF CONTROLLING

S.N.	POINT	EXPLANATION
1	**Setting Up of Standards /Targets**	It means parameter against which the actual performance will be measured. Standards should be clearly defined and expressed in numeric terms so that all can understand them.
2	**Measuring of Actual Performance**	Actual performance is measured by evaluating the work done by employees. While measuring the performance quantitative & qualitative aspect kept in mind.
3	**Compare Performance Against Standards**	The manager compares the actual performance with planned performance. The differences between two is known as deviation. It could be positive when actual performance is more than planned performance and negative vis-à-vis.
4	**Analysing Deviations**	All deviations need not to be brought to the notice of the management. A range of deviations has to be established and cases beyond the range are reported to the management. To analyze the deviations **Critical point control** and **Management by Exception** are used. **CRITICAL POINT CONTROL (CPC)**: It means keep focus on some KEY RESULT AREA (KRA)- which are critical to success of the organization. if there is deviation in these areas then it must be attended urgently. For example, if cost of production increased by Rs. 2 and cost of postage by Rs 10. Cost of production has more impact on organization than cost of postage. Thus, for an organization KRA will be cost of production. **MANAGEMENT BY EXCEPTION (MBE)**: If a manager tries to control everything he will end up controlling nothing. The deviations beyond the specific range in KRA should be handled by manger and managers should not waste time in controlling everything. For example, if increase in cost of production is acceptable up to Rs. 5 then management will not take the action in above case. Otherwise, it will take action to control the cost.
5	**Taking Corrective Action/Measures**	After knowing the reasons for deviations, the management takes all necessary steps to remove them so that planned performance and actual performance are matched.

IMPORTANCE OF CONTROLLING

S.N.	IMPORTANCE	EXPLANATION
1	**Help in Achieving Goals**	Organizations are formed to achieve a particular goal. Controlling helps in achieving the goals by ensuring proper implementation of plans.
2	**Judging Accuracy of The Standards**	With the help of controlling accuracy of standards are judged.
3	**Making Efficient Use of Resources**	Like traffic signal controlling guides the organization in efficient use of resources. It directs the resources from unproductive to productive use.
4	**Improving Employees Motivation**	An effective control system communicates the goals/standards in advance to the employees. A good controlling system thus motivate the employees.
5	**Ensure Order and Discipline**	A good controlling system ensures order and discipline in the organization.
6	**Facilitate Co-Ordination in Action.**	A good controlling system maintain equilibrium in means and end. It makes sure that proper direction is taken.

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UNIT - 4 – 15 MARKS (Chapter 9&10)
CHAPTER- 9 FINANCIAL MANAGEMENT

Business Finance - Money required for carrying out business activities.
Financial Management- It is concerned with optimal procurement as well as the usage of finance.

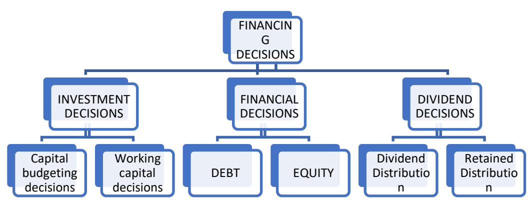
The role of financial management- 1.The size and the composition of fixed assets . 2.The quantum of current assets and its break-up into cash, inventory and receivables	3. The amount of long-term and short- term funds to be used 4. Break-up of long-term financing into debt, equity etc: 5. All items in the Profit and Loss Account, e.g., Interest, Expense, Depreciation.

Objectives of financial management- (**To maximise shareholders' wealth**). It is achieved through- (a)Ensuring effective utilisation of funds. (b)Ensuring safety of funds procured by creating reserves, reinvesting profits, etc.
Investment Decision- The investment decision, therefore, relates to how the firm's funds are invested in different assets.

Factors affecting Capital Budgeting Decision *A) Cash flows of the project: Expectation to generate cash inflows*	*B) The rate of return: maximum returns with minimum risk.* C) The investment criteria involved: calculations regarding the investment, interest rate, cash flows and rate of return

Financing Decision- It involves identification of various available sources as shareholders' funds and borrowed funds.
Shareholders' funds refer to the **total of equity capital and the retained earnings**.
Borrowed funds refer to the **total of finance raised through debentures or other forms of debt**.
Factors Affecting Financing Decisions-

Sr.	**Factors**	**Situation**	**Debt/ Equity**
1	*Cost*	*cheapest*	*debt*
2	*Risk*	*low*	*equity*
3	Floatation cost	low	debt
4	Cash flow position	Reduce outflow	equity
5	Fixed operating cost	Reduce	equity
6	Control considerations	No dilution	debt
7	State of capital market	Bullish	Equity



Dividend Decision-The decision involved here is how much of the profit earned by company (after paying tax) is to be distributed to the shareholders and how much of it should be retained in the business.

Sr.	Factors	Expected Situation	Distribution of dividends/ Retained earnings
1	Amount of Earnings	*High*	*More dividends*
2	Stability Earnings	Stable	Higher dividends
3	Stability of Dividends	Dividend policy	Regular dividends
4	*Growth Opportunities*	Available	Less dividends
5	*Cash Flow Position*	Reduce cash outflow	Less dividends

6	Shareholders' Preference	Desirable distribution	Higher dividends
7	*Taxation Policy*	*Higher tax*	*less dividends*
8	*Stock Market Reaction*	*Bullish*	*Higher dividends*
9	Access to Capital Market	Large Reputed companies	Higher dividends
10	Legal Constraints	provisions of the Companies Act	less dividends
11	Contractual Constraints	imposed by the lender	less dividends

Financial Planning- A Financial **blueprint** of an organisation's future operations.

Twin objectives of financial planning-	**Importance of financial planning-** It helps in:
(a) To ensure availability of funds whenever required: (b) To see that the firm does not raise resources unnecessarily.	(i) Forecasting & avoiding business shocks and surprises. (ii) Co-ordinating various business functions. (iii) Reducing waste, duplication of efforts, and gaps in planning. (iv) Providing a link between investment and financing decisions on a continuous basis. (v) Making the evaluation of actual performance easier.

EBIT-EPS ANALYSIS

This is a situation of favourable financial leverage.

	Situation i	**Situation ii**	**Situation iii**
EBIT	4,00,000	4,00,000	4,00,000
INTEREST	NIL	1,00,000	2,00,000
(@10%)	**4,00,000**	**3,00,000**	**2,00,000**
EBT	(1,20,000)	(90,000)	(60,000)
TAX (@30%)	**2,80,000**	**2,10,000**	**1,40,000**
EAT	3,00,000	2,00,000	1,00,000
NO. OF	**0.93**	**1.05**	**1.40**
SHARES			
EPS			
(EARNINGS			
PER SHARE)			

This is a situation of unfavourable financial leverage

	Situation i	**Situation ii**	**Situation iii**
EBIT	2,00,000	2,00,000	2,00,000
INTEREST	NIL	1,00,000	2,00,000
(@10%)	**2,00,000**	**1,00,000**	**NIL**
EBT	(60,000)	(30,000)	(NIL)
TAX (@30%)	**1,40,000**	**70,000**	**NIL**
EAT	3,00,000	2,00,000	1,00,000
NO. OF SHARES	**0.47**	**0.35**	**NIL**
EPS			
(EARNINGS			
PER SHARE)			

Capital Structure refers to the mix between owners and borrowed funds. These shall be referred as equity and debt in the subsequent text. It can be calculated as debt-equity ratio or as the proportion of debt out of the total capital. The proportion of debt in the overall capital is also called **Financial Leverage.**

Trading on Equity refers to the increase in profit earned by the equity shareholders due to the presence of fixed financial charges like interest.

Factors affecting the choice of Capital Structure-

S.N.	**Factors**	**Expected Situation**	**Choose Debt/ Equity**
1	*Cash Flow Position*	*Reduce fixed payment obligations*	*equity*
2	interest coverage ratio	higher	Increase debt
3	Debt service coverage ratio	higher	Increase debt
4	return on investment	higher	Increase debt
5	cost of debt	low	Higher debt
6	Tax rate	higher	Increase debt
7	Cost of equity	high	Reduce debt
8	Floatation costs	high	Increase borrowing
9	risk consideration	low	equity
10	Flexibility	maintain	equity
11	Control	No dilution	debt
12	*Stock Market conditions*	Bullish	Equity
13	Capital structure of other companies	industry norms	Debt – Equity Ratio

Financial Risk is the chance that a firm would fail to meet its payment obligations.

Fixed Capital decisions - Investment decisions or **Capital Budgeting Decisions** which affect the growth, profitability and risk of the business in the long run.

Factors affecting the Fixed Capital requirement -

Sr.	Factors	Expected Situation	Requirement of F. C.
1	*Nature of Business*	*trading concern*	*less*
2	*Scale of Operations*	*large*	*more*
3	Choice of Technique	Capital intensive	more
4	Technology Upgradation	obsolescence	more
5	*Growth Prospects*	*opportunities*	*more*
6	Diversification	Expansion	more
7	Financing Alternatives	Leasing/ Credit facilities	less
8	Level of collaboration	sharing	less

Importance of Fixed Capital or Capital Budgeting Decisions -
(i) Long-term growth
(ii) Large amount of funds involved
(iii)Risk involved
(iv) Irreversible decision

Working Capital Decisions- An investment decision which **facilitates smooth day-today operations** of the organisation. For Example-levels of cash, inventory and receivables.

Factors affecting the Working Capital requirement -

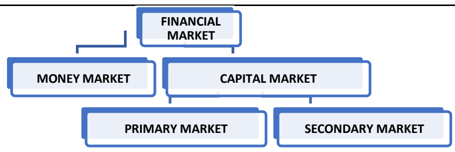
S. N.	Factors	Affecting	Requirement of W. C.
1	*Nature of Business*	*Trading concern*	*less*
2	*Scale of Operations*	*large*	*more*
3	Business Cycle	long	more
4	Seasonal Factor	On season	more
5	Production Cycle	long	more
6	Credit Allowed	liberal policy	more
7	Credit Availed	Credit purchases/ Trade Credit	less
8	Operating Efficiency	efficiencies	lower
9	Availability of Raw Material	easy	lower
10	*Growth Prospects*	*Opportunities/Expansion/Increase*	*more*
11	Level of competition	Higher level	more
12	Rate of Inflation	High	more

CHAPTER- 10 FINANCIAL MARKETS

Financial Market - A market for the creation and exchange of financial assets. such as -equity shares, debentures and bonds.

Functions of Financial Market-

1. Mobilisation of savings and channeling them into the most productive uses.
2. Facilitating Price Discovery
3. Providing Liquidity to Financial assets
4. Reducing the cost of transactions



Money Market- The money market is a market for short term funds which deals in monetary assets whose period of maturity is upto one year.

Money Market Instruments

SR.	Instruments	Meaning
1	**Treasury Bill**	TB are Zero Coupon Bonds issued by the Reserve Bank of India in the form of a promissory note.
2	**Commercial Paper**	CP is a short-term unsecured promissory note, negotiable and transferable by endorsement and delivery with a fixed maturity period.
3	**Call Money**	It is a method by which banks borrow from each other to be able to maintain the cash reserve ratio.
4	**Certificate of Deposit**	CD are unsecured, negotiable, short-term instruments in bearer form, issued to individuals, corporations and companies by commercial banks and development financial institutions.
5	**Commercial bill**	It is a short-term, negotiable, self-liquidating instrument which is used to finance the credit sales of firms. Example- Bills of Exchange

Capital Market- It refers to facilities and institutional arrangements through which long-term funds, both debt and equity are raised and invested.

SN	Basis	Capital Market	Money Market
1	Participants	Financial institutions, banks, corporate entities, foreign investors and ordinary retail investors	RBI, banks, financial institutions and finance companies
2	Instruments	Equity shares, debentures, bonds, preference shares	T-bills, trade bills reports, commercial paper and certificates of deposit.
3	Investment Outlay	It does not necessarily require a huge financial outlay	Transactions entail huge sums of money as the instruments are quite expensive
4	Duration	Long term	Short term
5	Liquidity	Liquid investments because they are marketable on the stock exchanges.	Enjoy a higher degree of liquidity as there is formal arrangement for this.
6	Safety	Riskier	Safer
7	Expected return	Higher return	Comparatively less returns

Methods of Floatation of securities in Primary Market-

S.N.	(EPOOR) 5 METHODS	Meaning
1	**e-IPOs**	A company proposing to issue capital to the public through the on-line system of the stock exchange has to enter into an agreement with the stock exchange.
2	**Private Placement**	It is the allotment of securities by a company to institutional investors and some selected individuals.
3	**Offer through Prospectus**	It invites subscription from the public through issue of prospectus by making a direct appeal to investors to raise capital, through an advertisement in newspapers and magazines.
4	**Offer for Sale**	Here securities are not issued directly to the public but are offered for sale through intermediaries
5	**Rights Issue**	It is a privilege given to existing shareholders to subscribe to a new issue of shares.

S.N.	Basis	Primary Market	Secondary Market
1	Trading securities	New securities	Existing securities
2	Participants	Sold by the company	Exchanged between investors.
3	Capital formation	directly	indirectly
4	Buy/Sale	Only buying	Both the buying and the selling
5	Price determination	By the management of the company.	By demand and supply of securities
6	Geographical location	Not Fixed	Local area.

Stock Exchange- It is an institution which provides a platform for buying and selling of existing securities.

Functions of a Stock Exchange-
1. Providing Liquidity and Marketability to Existing Securities
2. Pricing of Securities
3. Safety of Transaction
4. Contributes to Economic Growth
5. Spreading of Equity Cult
6. Providing Scope for Speculation

Trading and Settlement Procedure- It is on-line, screen-based electronic trading system.

Sr.	Steps in Trading procedure
1	Selection of **broker**
2	Opening of **Demat account** with the depository.
3	Placing an **order**
4	**Executing** the order
5	**Settlement. (T+2)**

Dematerialisation- This is a process where securities held by the investor in the physical form are cancelled and the investor is given an electronic entry or number so that she/he can hold it as an electronic balance in an account.

Depositories- The investor has to open a demat account with an organisation called a depository. For Example- NSDL & CDSL.

Securities and Exchange Board of India (SEBI)- (Established on 12 April 1988 & given statutory status through an Act in 1992.**)**

Objectives of SEBI-1. To regulate stock exchanges and the securities industry to promote their orderly functioning.
2. To protect the rights and interests of investors, particularly individual investors and to guide and educate them.
3. To prevent trading malpractices and achieve a balance between self regulation by the securities industry and its statutory regulation.
4. To regulate and develop a code of conduct and fair practices by intermediaries like brokers, merchant bankers etc., with a view to making them competitive and professional.

Functions of SEBI-	
A. Regulatory Functions 1. Registration of brokers and sub brokers and other players in the market. 2. Registration of collective investment schemes and Mutual Funds. 3. Regulation of stock brokers, portfolio exchanges, underwriters and merchant bankers and the business in stock exchanges 4. Regulation of takeover bids by companies. 5.Calling for inspection, conducting enquiries and audits of stock exchanges and intermediaries. 6. Levying fee or other charges for carrying out the purposes of the Act. 7.Performing and exercising such power under Securities Contracts (Regulation) Act 1956, as may be delegated by the Government of India.	**B. Development Functions** 1. Training of intermediaries of the securities market. 2.Conducting research and publishing information useful to all market participants. 3.Undertaking measures to develop the capital markets by adapting a flexible approach. **C. Protective Functions** 1. Prohibition of fraudulent and unfair trade practices like making misleading statements, manipulations, price rigging etc. 2.Controlling insider trading and imposing penalties for such practices. 3.Undertaking steps for investor protection. 4.Promotion of fair practices and code of conduct in securities market.

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UNIT- V – 15 MARKS (CHAPTER- 11 &12)
Chapter: 11 MARKETING MANAGEMENT

CONCEPT:- Marketing management refers to planning, organising, directing and control of the activities which facilitate exchange of goods and services between producers and consumers or users of products and services.

MARKETING INVOLVES:-
(i) Choosing a target market (II) Create demand for the products (iii) Create superior values for CUSTOMERS.

Q. What can be Marketed?
Ans:- Physical Products, Services, Ideas, Persons, Place, Experience, Properties, Events, Information, Organisations

Marketing Management Philosophies:-

Differences in the Marketing Management Philosophies

Philosophies/ Bases	Production Concept	Product Concept	Selling Concept	Marketing Concept	Societal - Marketing Concept
1. Starts	Factory	Factory	Factory	Market	Market ,Society
2. Main Focus	Quantity of product	Quality, performance, features of product	Existing product	Customer needs	Customer needs and society's well being
3.Means	Availability and affordability of product	Product improvements	Selling and promoting	Integrated marketing	Integrated marketing
4. Ends	Profit though volume of production	Profit through product quality	Profit through sales volume	Profit through customer satisfaction	Profit through customer and social welfare

Functions of Marketing	1. Gathering and Analysing Market Information 2. Marketing Planning 3 . Product Designing and Development	4. Standardisation and Grading 5. Packaging and Labelling 6. Branding & Warehousing	7. Customer Support Services 8. Pricing of Product 9. Promotion	10. Physical Distribution 11. Transportation 12. Storage

Marketing Mix:- The marketing mix consists of various elements, which have broadly been classified into four categories, popularly known as **four Ps** of marketing.
These are: (i) Product, (ii) Price, (iii) Place, and (iv) Promotion.

1. Product: Product means goods or services or 'anything of value', which is offered to the market for sale.

PRODUCT MIX:- It refers to all the decisions relating to product. It mainly includes branding, packaging and labelling.

Elements of Product:- a) Branding :- The process of giving a name or a sign or a symbol etc., to a product is called branding.(It affects Brand, Brand Name, Brand Mark, Trade Mark)

Characteristics of Good Brand Name:-
(i) The brand name should be short, easy to pronounce, spell, recognise and remember.
(ii) A brand name should suggest the product's benefits and qualities. It should be appropriate to the product's function.
(iii) A brand name should be distinctive.

b) Packaging refers to the act of designing and producing the container or wrapper of a product.
Levels of Packaging:- **1. Primary Package: 2. Secondary Packaging: 3 Transportation Packaging**:

Importance of Packaging:- (i) Rising Standards of Health and Sanitation; (ii) Self Service Outlets; (iii) Innovational Opportunity; (iv) Product Differentiation

Functions of Packaging:- (i) Product Identification; (ii) Product Protection (iii) Facilitating Use of the Product; (iv) Product Promotion

c) Labelling:- Labelling in the marketing refers to designing the label to be put on the package. indicating some information about the quality or price, to complex graphics that are part of the package, like the ones on branded products.
Functions of labelling: 1. Describe the Product and specify its contents; 2. Identification of the Product or brand; 3. Grading of Products 4. Helps in Promotion of Products 5. Providing Information Required by Law.
2. Price: Price is the amount of money customers have to pay to obtain the product.

Factors affecting Price Determination: I. Product cost; II. The Utility and Demand;
III. Extent of Competition in the Market; IV. Government and Legal Regulations; V. Pricing Objectives
3. Place: Place or Physical Distribution include activities that make firm's products available to the target customers

4. Promotion: Promotion of products and services include activities that communicate availability, features, merits, etc., of the products to the target customers and persuade them to buy it.

Promotion Mix refers to combination of promotional tools used by an organisation to achieve its communication objectives. These include: (i) Advertising, (ii) Personal Selling, (iii) Sales Promotion, and (iv) Publicity. These tools are also called elements of *promotion mix* .

(i) **Advertising**:- It is an impersonal form of communication, which is paid for by the marketers (sponsors) to promote some goods or service. The most common modes of advertising are 'newspapers', 'magazines', 'television', and 'radio'. The important distinguishing features of advertising are as follows: (i) Paid Form; (ii) Impersonality; (iii) Identified Sponsor.
(ii) **Personal Selling** :-Personal selling involves oral presentation of message in the form of **conversation** with one or more prospective customers for the purpose of making sales.
(iii) **Sales Promotion** – It refers to short- term incentives, which are designed to encourage the buyers to make immediate purchase of a product or service.
(iv) **Publicity** :-Publicity generally takes place when favourable news is presented in the mass media about a product or service:- (i) Publicity is an unpaid form of communication; (ii) There is no identified sponsor.

Public Relations:-
Relations of an Organisation with the public.

Role of Public Relations:-

1. ***Press Relations***: Information about the organisation needs to be presented in a positive manner in the press.
2. ***Product Publicity***: New products require special effort to publicise them and the company has to sponsor such programmes.
3. ***Corporate Communication***: This is usually done with the help of newsletter, annual reports, brochures, articles and audio-visual materials
4. ***Lobbying***: The organisation has to deal with government officials and different ministers in charge of corporate affairs, industry, finance with respect to policies.

The major differences between Advertising and Personal Selling are as follows:

BASIS	ADVERTISING	PERSONAL SELLING
Meaning	Advertising is an impersonal form of communication	Personal selling is a personal form of communication
Flexibility	Advertising is inflexible as the message can' t be adjusted to the needs of the buyer	Personal selling is highly flexible as the message can be adjusted.
Cost per person	In advertising the cost per person reached is very low	The cost per person is quite high in the case of personal selling
Direct feedback	Advertising lacks direct feedback	Personal selling provides direct and immediate feed back.

Chapter 12   CONSUMER PROTECTION

Meaning and concept of Consumer Protection: The Consumer Protection Act (CPA) 1986 seeks to protect and promote the consumers' interest through speedy and inexpensive redressal of their grievances. The scope of the Act is very wide. It is 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, and whether supplying goods or providing services. The Act confers certain rights to consumers with a view to empowering them and to protect their interests.

Meaning of Consumer:-A 'consumer' is generally understood as a person who uses or consumes goods or avails of any service. Under the Consumer Protection Act, a consumer is defined as:

(a) Any person who buys any goods for a consideration, which has been paid or promised, or partly paid and partly promised, or under any scheme of deferred payment. It includes any user of such goods, when such use is made with the approval of the buyer, but does not include a person who obtains goods for re-sale or any commercial purpose.

(b) Any person who hires or avails of any service, for a consideration which has been paid or promised, or partly paid and partly promised, or under any system of deferred payment. It includes any beneficiary of services when such services are availed of with the approval of the person concerned, but does not include a person who avails of such services for any commercial purpose.

Rights of a Consumer:-
1. Right to Safety: The consumer has a right to be protected against goods and services which are hazardous to life and health.
2. Right to be Informed: The consumer has a right to have complete information about the product he intends to buy including its ingredients, date of manufacture, price, quantity, directions for use, etc
3. Right to Choose: The consumer has the freedom to choose from a variety of products at competitive prices.
4. Right to be Heard: The consumer has a right to file a complaint and to be heard in case of dissatisfaction with a good or a service.
5. Right to seek Redressal: The consumer has a right to get relief in case the product or service falls short of his expectations.
6. Right to Consumer Education: The consumer has a right to acquire knowledge and to be a well-informed consumer throughout life.

<u>Responsibilities of consumer</u>:- (i) Be aware about various goods and services available in the market so that an intelligent and wise choice can be made. (ii) Buy only standardised goods as they provide quality assurance. Thus, look for ISI mark on electrical goods, FPO mark on food products, Hallmark on jewellery, etc. (iii) Learn about the risks associated with products and services. (iv) Read labels carefully so as to have information about prices, net weight, manufacturing and expiry dates, etc. (v) Assert yourself to ensure that you get a fair deal.	(vi) Be honest in your dealings. Choose only legal goods and services. vii) Ask for a cash memo on purchase of goods or services. viii) File a complaint in an appropriate consumer forum in case of a shortcoming in the quality of goods purchased or services availed. ix) Form consumer societies which would play an active part in educating consumers and safeguarding their interests. x) Respect the environment. Avoid waste, littering and contributing to pollution.

Who can file a complaint?

(i) Any consumer can file a complaint on his/her own and does not need the services of advocate/ professionals; (ii) Any registered consumers' association; (iii) The Central Government or any State Government;	(iv) One or more consumers, on behalf of numerous consumers having the same interest; and (v) A legal heir or representative of a deceased consumer.

<u>3 Tier Redressal Machinery</u>:-

1. District Forum: The District Forum consists of a President and two other members, one of whom should be a woman. They all are appointed by the State Government concerned. A complaint can to be made to the appropriate District Forum when the value of the goods or services in question, along with the compensation claimed, does not exceed Rs. 20 lakhs.

2. State Commission: Each State Commission consists of a President and not less than two other members, one of whom should be a woman. They are appointed by the State Government concerned. A complaint can to be made to the appropriate State Commission when the value of the goods or services in question, along with the compensation claimed, exceeds Rs. 20 lakhs but does not exceed Rs. 1 crore.

3. National Commission: The National Commission consists of a President and at least four other members, one of whom should be a woman. They are appointed by the Central Government. A complaint can be made to the National Commission when the value of the goods or services in question, along with the compensation claimed, exceeds Rs. 1 crore.

Remedies available to a Consumer: -

Relief Available If the consumer court is satisfied about the genuineness of the complaint, it can issue one or more of the following directions to the opposite party. (i) To remove the defect in goods or deficiency in service. (ii) To replace the defective product with a new one, free from any defect. (iii) To refund the price paid for the product, or the charges paid for the service. (iv) To pay a reasonable amount of compensation for any loss or injury suffered by the consumer due to the negligence of the opposite party. (v) To pay punitive damages in appropriate circumstances.	(vi) To discontinue the unfair/ restrictive trade practice and not to repeat it in the future. (vii) Not to offer hazardous goods for sale. (viii) To withdraw the hazardous goods from sale. (ix) To cease manufacture of hazardous goods and to desist from offering hazardous services. (x) To pay any amount (not less than 5% of the value of the defective goods or deficient services provided), to be credited to the Consumer Welfare Fund or any other organisation/person, to be utilised in the prescribed manner. (xi) To issue corrective advertisement to neutralise the effect of a misleading advertisement. (xii) To pay adequate costs to the appropriate party.

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