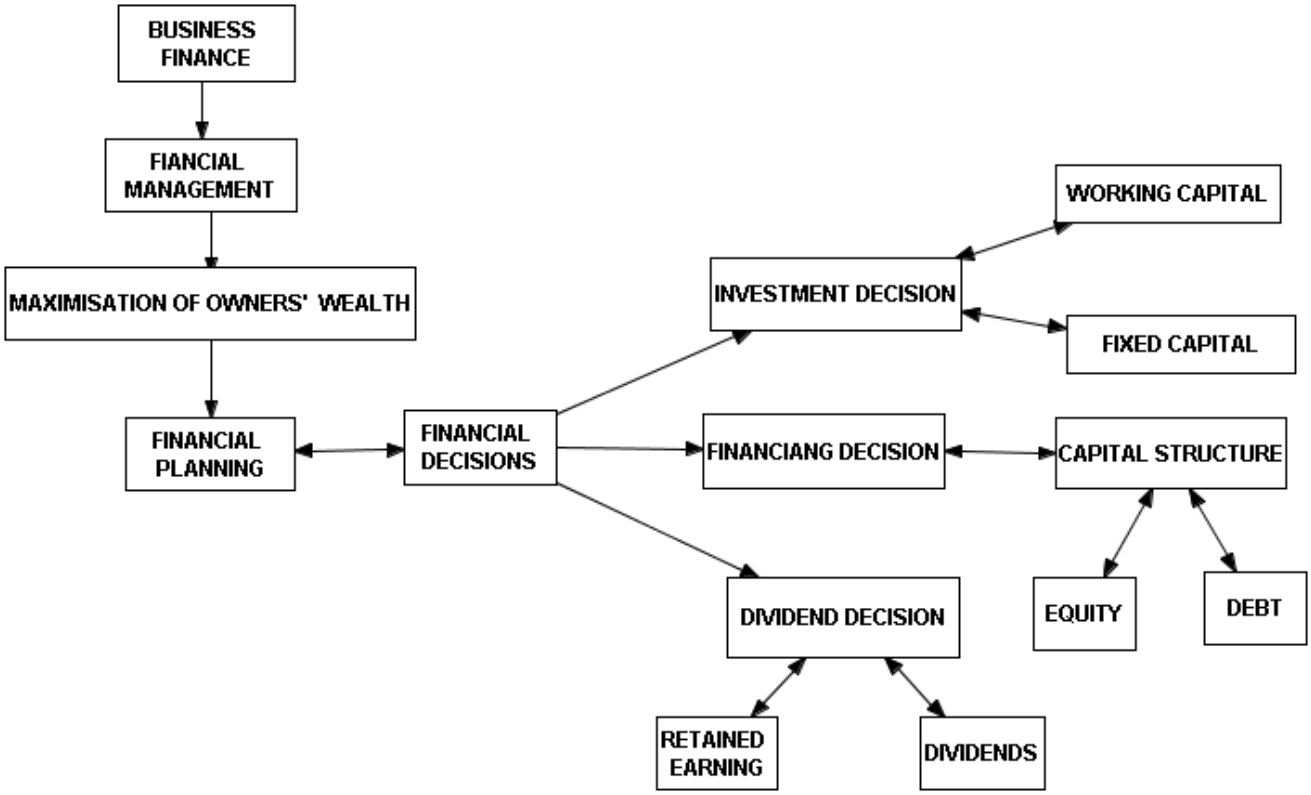
FINANCIAL MANAGEMENT 12 MARKS

CONCEPT MAPPING:



Key Concepts in nutshell:

Meaning of Business Finance: Money required for carrying out business activities is called business finance.

Financial Management: It is concerned with optimal procurement as well as usage of finance.

Role of Financial Management: It cannot be over-emphasized, since it has a direct bearing on the financial health of a business. The financial statements such as Profit and Loss A/C and B/S reflect a firm's financial position and its financial health.

i) The size as well as the composition of fixed assets of the business

ii) The quantum of current assets as well as its break-up into cash, inventories and receivables.

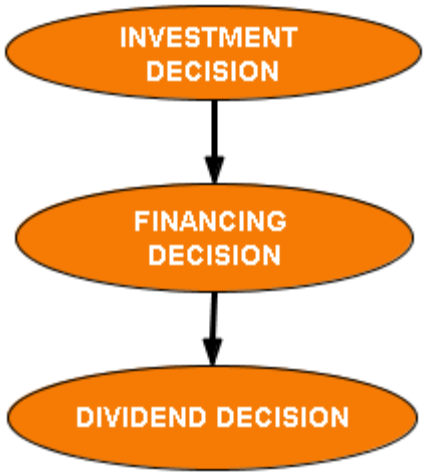
iii) The amount of long-term and short-term financing to be used.

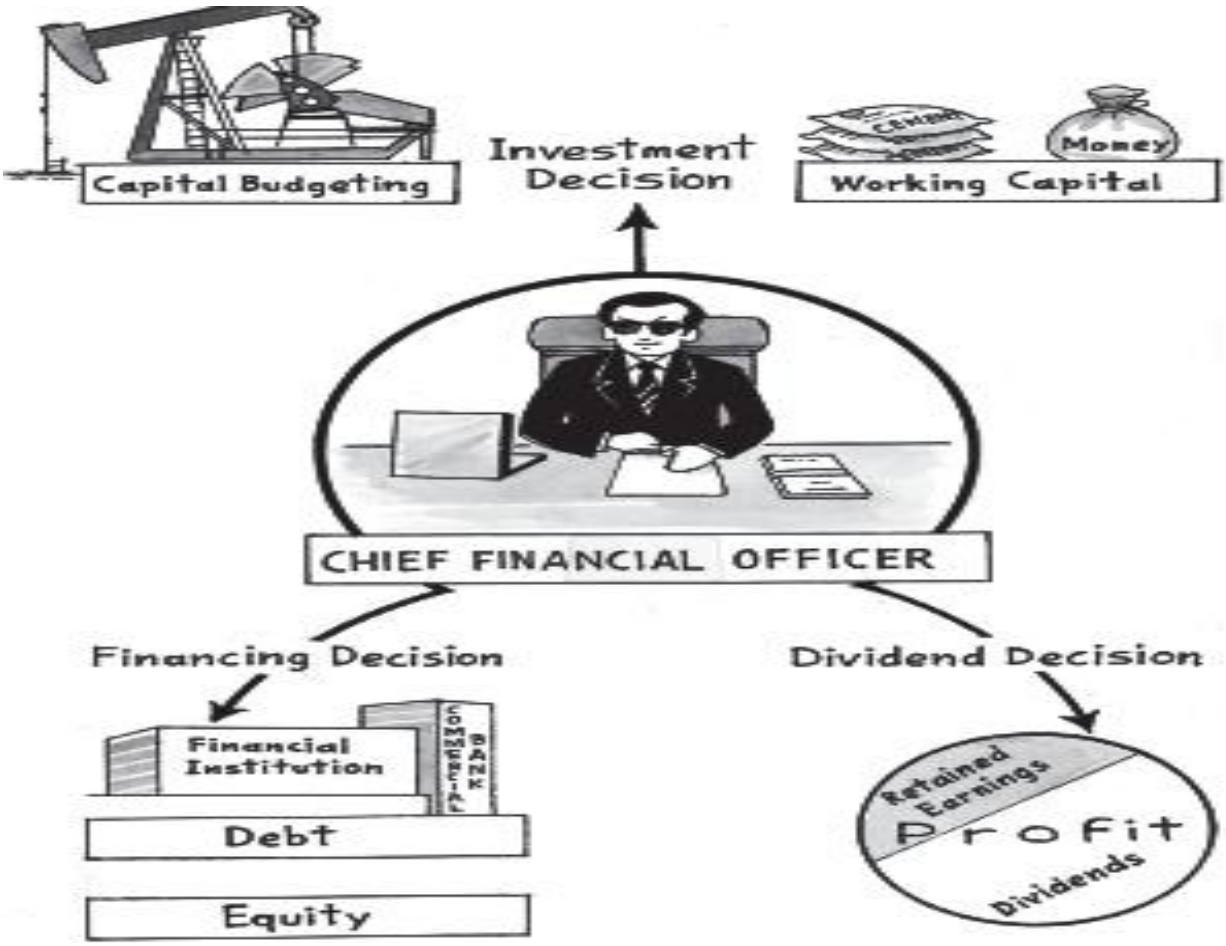
iv) Break- up of long-term financing into debt, equity etc.

v) All items in the profit and loss account e.g., interest, expenses, depreciation etc.

Objectives of Financial Management: Maximisation of owners' wealth is sole objective of financial management. It means maximization of the market value of equity shares. Market price of equity share increases if the benefits from a decision exceed the cost involved.

FINANCIAL DECISIONS





Investment Decision: It relates to how the firm's funds are invested in different assets . Investment decision can be long-term or short-term. A long-term investment decision is also called a Capital Budgeting decision.

Factors affecting Capital Budgeting Decision/Investment Decision:

1. Cash flows of the project: If anticipated cash flows are more than the cost involved then such projects are considered.

2. The rate of return: The investment proposal which ensures highest rate of return is finally selected.

3. The investment criteria involved: Through capital budgeting techniques, investment proposals are selected.

Financing Decision: - It refers to the quantum of finance to be raised from various sources of long-term of finance. It involves identification of various available sources. The main sources of funds for a firm are shareholders funds and borrowed funds. Shareholders funds refer to equity capital and retained earnings. Borrowed funds refer to finance raised as debentures or other forms of debt.

Factors Affecting Financing Decision:-

a) Cost: The cost of raising funds through different sources is different. A prudent financial manager would normally opt for a source which is the cheapest.

(b) Risk: The risk associated with different sources is different.

(c) Floatation Costs: Higher the floatation cost, less attractive the source.

(d) Cash Flow Position of the Business: A stronger cash flow position may make debt financing more viable than funding through equity.

(e) Level of Fixed Operating Costs: If a business has high level of fixed operating costs (e.g., building rent, Insurance premium, Salaries etc.), It must opt for lower fixed financing costs. Hence, lower debt financing is better. Similarly, if fixed operating cost is less, more

f) Control Considerations: Issues of more equity may lead to dilution of management's control over the business. Debt financing has no such implication. Companies afraid of a takeover bid may consequently prefer debt to equity.

g) State of Capital Markets: Health of the capital market may also affect the choice of source of fund. During the period when stock market is rising, more people are ready to invest in equity. However, depressed capital market may make issue of equity shares difficult for any company.

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 for meeting the investment requirements.

FACTORS AFFECTING DIVIDEND DECISION:-

a) Earnings: Dividends are paid out of current and past earning. Therefore, earnings is a major determinant of the decision about dividend.

(b) Stability of Earnings: Other things remaining the same, a company having stable earning is in a position to declare higher dividends. As against this, a company having unstable earnings is likely to pay smaller dividend.

c) Stability of Dividends: It has been found that the companies generally follow a policy of stabilising dividend per share.

(d) Growth Opportunities: Companies having good growth opportunities retain more money out of their earnings so as to finance the required investment.

(e) Cash Flow Position: Dividends involve an outflow of cash. A company may be profitable but short on cash. Availability of enough cash in the company is necessary for declaration of dividend by it.

(f) Shareholder Preference: While declaring dividends, managements usually keep in mind the preferences of the shareholders in this regard.

(g) Taxation Policy: The choice between payment of dividends and retaining the earnings is, to some extent, affected by difference in the tax treatment of dividends and capital gains.

(h) Stock Market Reaction: Investors, in general, view an increase in dividend as a good news and stock prices react positively to it. Similarly, a decrease in dividend may have a negative impact on the share prices in the stock market.

(i) Access to Capital Market: Large and reputed companies generally have easy access to the capital market and therefore may depend less on retained earnings to finance their growth. These companies tend to pay higher dividends than the smaller companies which have relatively low access to the market.

(j) Legal Constraints: Certain provisions of the Company's Act place restrictions on payouts as dividend. Such provisions must be adhered to while declaring the dividends.

(k) Contractual Constraints: While granting loans to a company, sometimes the lender may impose certain restrictions on the payment of dividends in future.

FINANCIAL PLANNING

Financial Planning is essentially preparation of financial blueprint of an organisations's future operations. The objective of financial planning is to ensure that enough funds are available at right time.

OBJECTIVES

(a) To ensure availability of fundswhenever these are required: This include a proper estimation of the funds required for different purposes such as for the purchase of long-term assets or to meet day- to- day expenses of business etc.

(b) To see that the firm does not raise resources unnecessarily: Excess funding is almost as bad as inadequate funding.

IMPORTANCE OFFINANCIAL PLANNING

(i) It tries to forecast what may happen in future under different business situations. By doing so, it helps the firms to face the eventual situation in a better way. In other words, it makes the firm better prepared to face the future.

(ii) It helps in avoiding business shocks and surprises and helps the company in preparing for the future.

(iii) If helps in co-ordinating various business functions e.g., sales and production functions, by providing clear policies and procedures.

(iv) Detailed plans of action prepared under financial planning reduce waste, duplication of efforts, and gaps in planning.

(v) It tries to link the present with the future.

(vi) It provides a link between investment and financing decisions on a continuous basis.

(vii) By spelling out detailed objectives for various business segments, it makes the evaluation of actual performance easier.

CAPITAL STRUCTURE: Capital structure refers to the mix between owners and borrowed funds.

FACTORS AFFECTING THE CHOICE OF CAPITAL STRUCTURE

1. Cash Flow Position: Size of projected cash flows must be considered before issuing debt.

2. Interest Coverage Ratio (ICR): The interest coverage ratio refers to the number of times earnings before interest and taxes of a company covers the interest obligation.

3. Debt Service Coverage Ratio(DSCR): Debt Service Coverage Ratio takes care of the deficiencies referred to in the Interest Coverage Ratio (ICR).

4. Return on Investment (RoI): If the RoI of the company is higher, it can choose to use trading on equity to increase its EPS, i.e., its ability to use debt is greater.

5. Cost of debt: A firm's ability to borrow at a lower rate increases its capacity to employ higher debt. Thus, more debt can be used if debt can be raised at a lower rate.

6. Tax Rate: Since interest is a deductible expense, cost of debt is affected by the tax rate.

7. Cost of Equity: Stock owners expect a rate of return from the equity which is commensurate with the risk they are assuming. When a company increases debt, the financial risk faced by the equity holders, increases.

8. Floatation Costs: Process of raising resources also involves some cost. Public issue of shares and debentures requires considerable expenditure. Getting a loan from a financial institution may not cost so much.

9. Risk Consideration: As discussed earlier, use of debt increases the financial risk of a business.

10. Flexibility: If a firm uses its debt potential to the full, it loses flexibility to issue further debt.

11. Control: Debt normally does not cause a dilution of control.

12. Regulatory Framework: Every company operates within a regulatory framework provided by the law e.g., public issue of shares and debentures has to be made under SEBI guidelines.

13. Stock market conditions: If the stock markets are bullish, equity shares are more easily sold even at a higher price. However, during a bearish phase, a company may find raising of equity capital more difficult and it may opt for debt.

14. Capital Structure of other companies: A useful guideline in the capital structure planning is the debt-equity rations of other companies in the same industry. There are usually some industry norms which may help.

MANAGEMENT OF FIXED CAPITAL

Fixed capital refers to investment in long-term assets. Management of fixed capital involves around allocation of firm's capital to different projects or assets with long-term implications for the business. These decisions are called investment decisions or capital budgeting decisions and affect the growth, profitability and risk of the business in the long run. These long-term assets last for more than one year.

IMPORTANCE OF CAPITAL BUDGETING DECISIONS

(i) Long-term growth and effects: These decisions have bearing on the long-term growth. The funds invested in long-term assets are likely to yield returns in the future.

(ii) Large amount of funds involved: These decisions result in a substantial portion of capital funds being blocked in long-term projects

(iii) Risk involved: Fixed capital involves investment of huge amounts. It affects the returns of the firm as a whole in the long-term. Therefore, investment decisions involving fixed capital influence the overall business risk complexion of the firm.

(iv) Irreversible decisions : These decisions once taken, are not reversible without incurring heavy losses.

FACTORS AFFECTING THE REQUIREMENT OF FIXED CAPITAL

1. Nature of Business: The type of business has a bearing upon the fixed capital requirements. For example, a trading concern needs lower investment in fixed assets compared with a manufacturing organisation.

2. Scale of Operations: A larger organisation operating at a higher scale needs bigger plant, more space etc. and therefore, requires higher investment in fixed assets when compared with the small organisation.

3. Choice of Technique: Some organisations are capital intensive whereas others are labour intensive. A capital-intensive organisation requires higher investment in plant and machinery as it relies less on manual labour.

4. Technology Up gradation: In certain industries, assets become obsolete sooner. Consequently, their replacements become due faster. Higher investment in fixed assets may, therefore, be required in such cases.

5. Growth Prospects: Higher growth of an organisation generally requires higher investment in fixed assets.

6 .Diversification: A firm may choose to diversify its operations for various reasons, With diversification, fixed capital requirements increases.

7. Financing Alternatives: A developed financial market may provide leasing facilities as an alternative to outright purchase. Availability of leasing facilities, thus, may reduce the funds required to be invested in fixed assets, thereby reducing the fixed capital requirements. Such a strategy is specially suitable in high risk lines of business.

8. Level of Collaboration: At times, certain business organisations share each other's facilities. For example, a bank may use another's ATM or some of them may jointly establish a particular facility. Such collaboration reduces the level of investment in fixed assets for each one of the participating organisations.

WORKING CAPITAL REQUIREMENTS

Net working capital may be defined as the excess of current assets over current liabilities.

FACTORS AFFECTING WORKING CAPITAL REQUIREMENTS

1. Nature of Business: Trading Organisations – Less working capital

Manufacturing Organisations – more working capital

2. Scale of Operations: Large scale organizations – more working capital

Small scale organizations – less working capital

3. Business Cycle: Boom period - more working capita

Depression period - less working capital

4. Seasonal factors: Peak season – more working capital

Lean season – less working capital

5. Production cycle: Longer production cycle – more working capital

Shorter production cycle – less working capital

6. Credit allowed: Conservative/strict credit policy – less working capital

Liberal credit policy – more working capital

7. Credit availed: If credit is available easily from suppliers - less working capital

If credit is not available easily from suppliers – more working capital

8. Operating efficiency: If current assets are managed efficiently – less working capital

If current assets are not managed efficiently – more working capital

9. Availability of Raw Material: Easy and timely availability of raw material – less working capital

Difficulty and lengthy time period are involved in getting raw materials – more working capital

10. Growth Prospects: If there is possibility of growth potential - more working capital

If there is no possibility of growth – less working capital

11. Level of Competition: If there is stiff and cut-throat competition – more working capital

Less competition and monopoly like situation – less working capital

12. Inflation : During inflation – more working capital

During recession – less working capital

FINANCIAL LEVERAGE/CAPITAL GEARING/ TRADING ON EQUITY

It is an assumption that by using fixed charge bearing securities in the capital structure of a company, return to the equity shareholders can be increased. But this is possible only when the rate of return of the company is higher than the rate interest which a company pays on its debt capital.

For example a company has Rs.10 crores capital. Option 1 the company uses only equity capital Option 2 the company uses 50% equity and 50% debt capital in its capital structure. Rate of interest on debt is 15%. Rate of Income-tax is 30% . Profit before interest and tax is Rs.2 crores.

Particulars	Option 1	Option 2
Profit bebore interest and taxes (PBIT)	2,00,00,000	2,00,00,000
Less: Interest on debt	----------	15,00,000
Profit after tax	2,00,00,000	1,85,00,000
Less: Income – tax @30%	60,00,000	55,50,000
Profit after tax and interest	1,40,00,000	1,29,50,000
No. of equity shares (FV Rs.10 each)	20,00,000	10,00,000
Return to shareholders(EPS)	Rs. 7	Rs.12.95

Questions (with some hints wherever necessary)

Important questions are shown with * mark and the Most important questions are shown with ** mark

***1. Name the cheapest source of finance to a company. 1M**

Ans. Debt capital

2. Name the decision to acquire a new and modern plant to upgrade an old one. 1M

Ans. Investment decision

****3. What is meant by Capital Structure? 1M**

****4. Enumerate three important decisions taken in financial management. 1M**

5. What is the link between operating cycle and working capital? 1M

****6. Canara Bank wants to open a new branch of his bank? What is this decision called? 1M**

Ans. Investment decision

***7. What is the cost of raising funds called? 1M**

Ans. Floatation cost

8. Why investors want dividend? **1M**

9. Define business finance. **1M**

10. How the EPS is computed? **1M**

Ans. Earnings available for equity shareholders/No. of equity shares

11. How the Interest Coverage Ratio is computed? **1M**

Ans. EBIT/Interest

12. How the Return on Investment is computed? **1M**

Ans. EBIT/Capital Employed X 100

***13. Which is the most costly capital for a company?** **1M**

Ans. Equity share capital

14. Name the concept which increases the return on equity shares with a change in the capital structure of a company. **1M**

Ans. Trading on Equity

****15. State why the working capital needs for a 'Service-industry' are different from that of a Manufacturing industry.** **1M**

Ans. Service industries need less working capital because they do not require any inventory. They do not have any manufacturing process.

****16. Name any two essential ingredients of sound working capital management.** **1M**

Ans. Inventory, debtors

****17. 'Cost of debt' is lower than the 'cost of equity share capital' Give reasons why even then a company cannot work only with the debt.** **1M**

Ans. A company cannot exist without equity share capital

***18. What is meant by Gross working capital?** **1M**

Ans. Total investment on current assets (Current liabilities should not be deducted)

19. Name that portion of current assets which is financed by fixed liabilities. **1M**

Ans. Net working capital

20. Why is working capital needed? Give any one reason. **1M**

Ans. It is required to meet day to day expenses.

21. Discuss two objectives of financial planning. **3M**

22. What is financial risk? Why does it arise? **3M**

23. Define current assets and give four examples. **3M**

24. Financial management is based on three broad financial decisions. What are these? 3M

****25. What is the main objective of financial management? 3M**

26. Discuss about working capital affecting both liquidity as well as profitability of a business. 3M

Hint: The working capital should neither be more or less than required. Both these situations are harmful. It is considered as a necessary evil.

27. How does cost of capital affect the capital structure of a company? 3M

***28. "Sound Financial Management is the key to the prosperity of business: Explain 3M**

Hint: Role of financial management

***29. Explain the factors affecting the investing decision of a company. 3M**

30. State the two important objectives of financial planning. 3M

Hint: i) To ensure timely availability of finance ii) To ensure proper balance of finance.

31. Explain the meaning of Fixed Capital. Explain any two factors that determine the fixed capital of a company. 3M

32. What is the role of 'Leasing' in determining the requirement of fixed capital? 3M

33. 'Fixed capital decisions involve more risk' How? 3M

34. How 'scale of operations' affect the requirement of fixed capital? 3M

35. Length of production cycle affects the working capital requirements of an organisation. Explain 3M

36. How are 'Growth Prospects' related with the requirement of working capital? 3M

37. How does 'Risk consideration' affect the capital structure decision? 3M

38. How 'Capital Structure of other companies' affects the capital structure decision? 3M

39. What do you mean by Financial Leverage? 3M

Hint: Trading on equity

40. Explain the 'Earnings Before Interest and Taxes' - EBIT 3M

41. "Share Capital is better than debt capital" In the favour of this statement explain one factor which affects the capital structure. 3M

Hint: Cash flow position or other relevant point which favours equity capital

42. When debt capital is cheaper than the equity capital, why don't companies go for debt capital alone? 3M

Hint: A public company cannot be incorporated without equity share capital

43. How the control of existing shareholders affects? How this situation can be avoided? 3M

Hint: This situation can be avoided by raising debt capital rather than equity capital

44. "Tax benefit is available only in case of payment of interest and not on the payment of preference dividend "Why **3M**

Hint: Interest on debt only tax deductable expense but not preference dividend.

45. 'Capital structure decision is essentially optimization of risk-return relationship' Comment **4M**

46. A Capital budgeting decision is capable of changing the financial fortune of a business. Do you agree? Why or Why not? **4M**

47. What is the importance of capital budgeting decisions? **4M**

****48. To avoid the problems of shortage and surplus of funds what is required in financial management? Name the concept and explain its any three points of importance.** **4M**

Hint: Financial Planning.

49. Explain briefly any four points of the role of financial management. **4M**

50. To tackle the uncertainty in respect of availability and timings of funds what is required? Name the concept involved and explain its three points of importance. **4M**

Hint: Financial planning

****51. Name the process which helps in determining the objectives, policies, procedures, programmes and budgets to deal with the financial activities of an enterprise. Explain its three points of importance.** **4M**

Hint: Financial Planning

52. Explain by giving any four reasons, why capital budgeting decisions are important. **4M**

53. What is the meaning of Financial Planning? Why is it important? Give any two reasons. **4M**

****54. Explain the factors affecting the dividend decision.** **5M**

****55. Explain the term 'Trading on Equity'. Why, When and How it can be used by a business organisation?** **5M**

56. "A sound financial plan is the key to success of sound financial management of the company" Discuss **5M**

Hint: Importance of Financial Planning.

***57. How can the return on equity be increased by using debt in the capital structure? Illustrate with a suitable example.** **5M**

Hint: Trading on equity.

58. "Financial planning does not serve any useful purpose" Comment **5M**

Hint: No, Explain the importance

****59. A businessman who wants to start a manufacturing concern approaches you to suggest him whether the following manufacturing concerns would require large or small working capital:**

i) Bread ii) Sugar iii) Furniture manufacturing against specific order iv) Cool ers v) Motor Car 5M

Hint: i) Bread – less ii) Sugar – More iii) Furniture manufacturing against specific order – less iv) Coolers – More v) Motor Car - More.

60. What is meant by financial management? Explain any three decisions involved in it. 5M

****61. Explain the meaning of fixed capital. Briefly explain any four factors that determine the fixed capital of a company. 5M**

62. Explain any five factors which affect the dividend policy of a company. 5M

63. "Financial Planning does not serve any useful purpose" Comment 5M

64. How are shareholders likely to gain with a loan component in the capital employed? Briefly explain 5M

Hint: Trading on equity

****65. "Determining the overall cost of capital and the financial risk of the enterprise depends upon various factors." Explain any five such factors. 5M**

Hint: Factors affecting capital structure

****66. You are a Finance Manager of a newly established company. The Directors have asked you to determine the amount of Fixed Capital requirement for the company. Explain any four factors that you will consider while determining the fixed capital requirement for the company. 6M**

****67. What is working capital? How is it calculated? Discuss five important determinants of working capital requirements. 6M**

****68. Explain any six factors which affect the capital structure of a company. 6M**

****69. What is fixed capital management? Explain any five factors determining the amount of fixed capital. 6M**

70. What is meant by financial management? Explain its role. 6M

****71. Explain any six factors affecting the financing decision of a company. 6M**

72. Explain any six factors affecting the dividend decision of a company. 6M

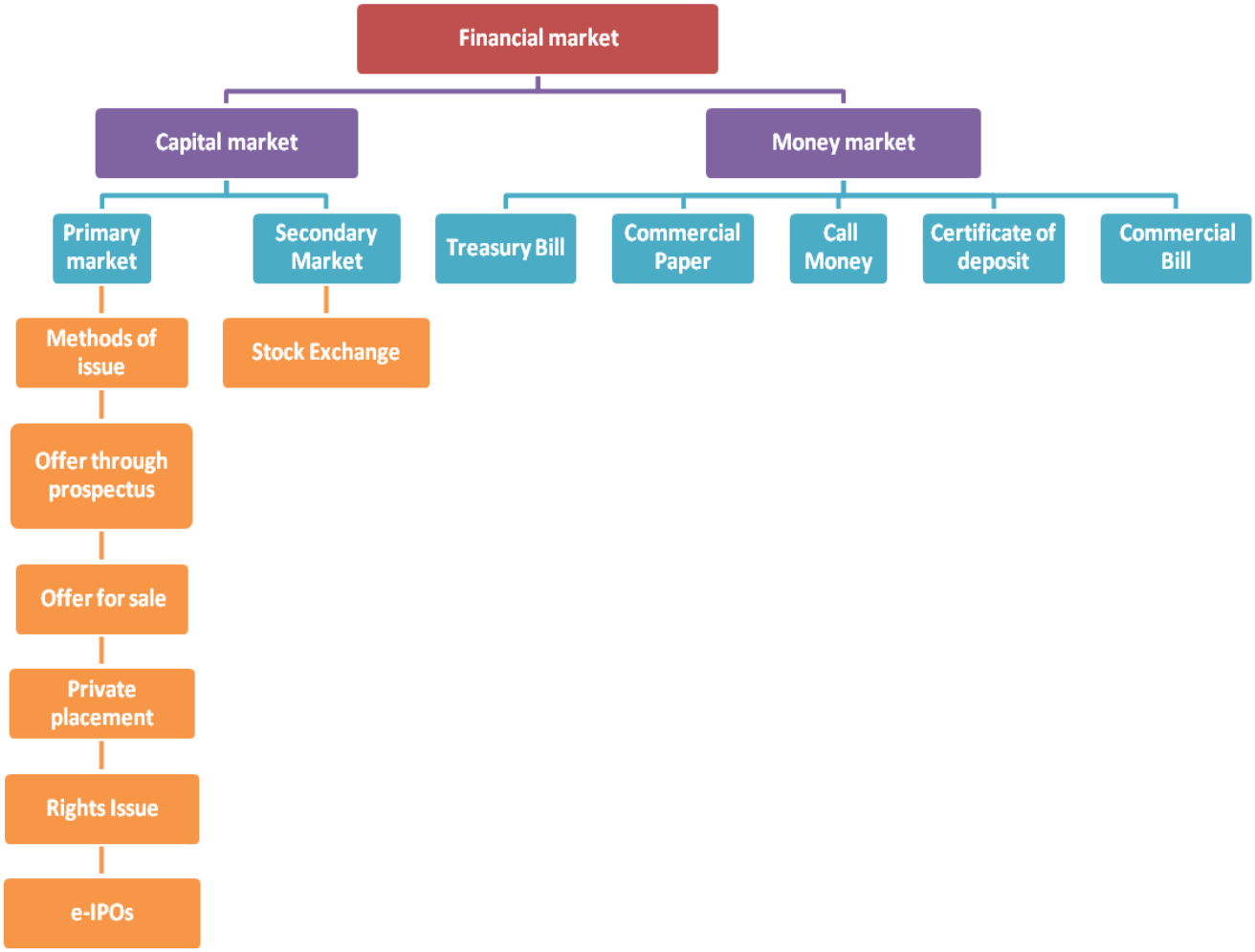
73. What do you mean by financial planning? Discuss the importance of financial planning in financial management. 6M

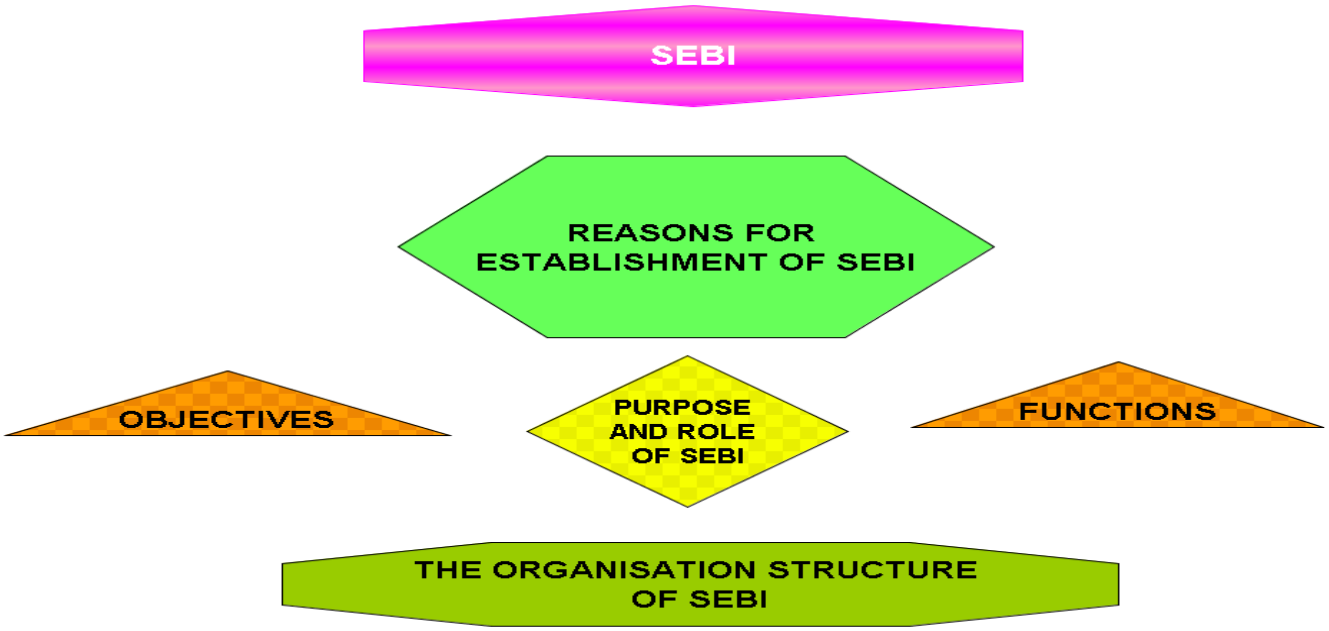
74. The Board of Directors has asked you to design the capital structure of the company. Explain any six factors that you would consider while doing so. 6M

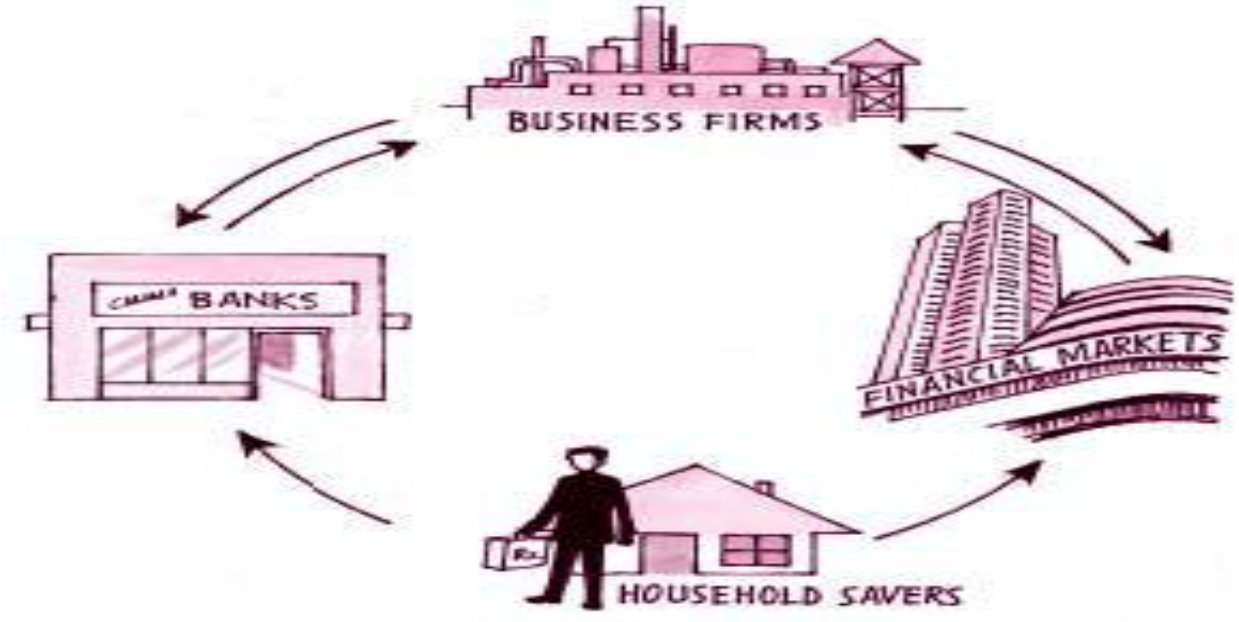
75. "Determination of capital structure of a company is influenced by a number of factors" Explain any four such factors 6M

CHAPTER 10
FINANCIAL MARKETS
8Marks

CONCEPT MAPPING:







Key Concepts in nutshell:

CONCEPT OF FINANCIAL MARKET:

It refers to the market which creates and exchanges financial assets.

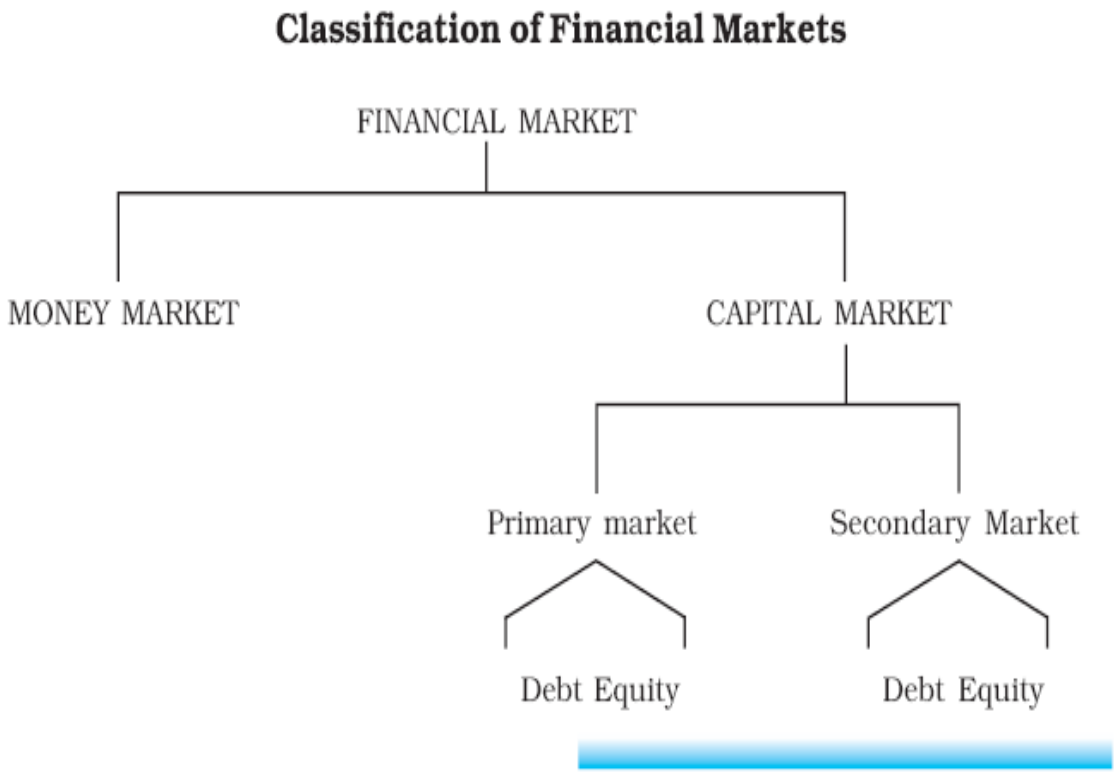
FUNCTIONS OF FINANICIAL MARKET

1. Mobilization of savings and channeling them into the most productive uses: A financial market facilitates the transfer of savings from savers to investors (industries)

2.Facilitates price discovery: In the financial market, the households are suppliers of funds and business firms represent the demand. The interaction between them helps to establish a price for the financial asset which is being traded in that particular market.

3. Provide liquidity to financial assets: Financial markets facilitate easy purchase and sale of financial assets. In doing so they provide liquidity to financial assets, so that they can be easily converted into cash whenever required.

4. Reduce the cost of transactions: Financial markets provide valuable information about securities being traded in the market. It helps to save time, effort and money.



Instruments:

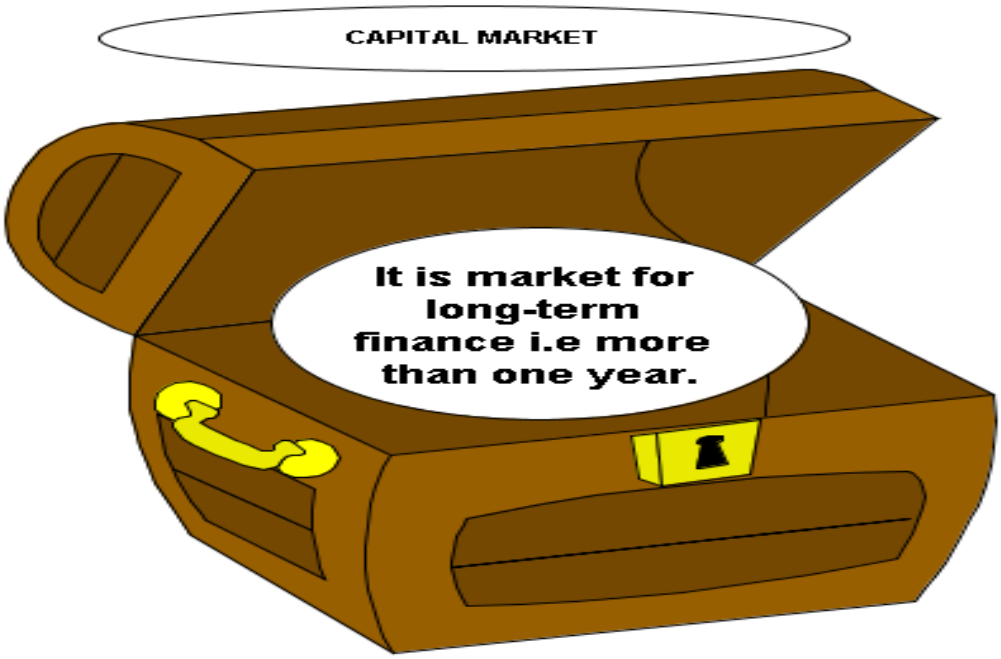
1. Treasury Bill (T-bills): It is basically an instrument of short-term borrowing by the Government of India maturing in less than one year. They are also known as Zero Coupon Bonds.

2. Commercial Paper: It is a short-term unsecured promissory note, negotiable and transferable by endorsement and delivery with a fixed maturity period. It is issued by large and creditworthy companies to raise sort-term funds at lower rates of interest than market rates. It usually has a maturity period of 15 days to one year.

3. Call Money: It is a short-term finance repayable on demand, with a maturity period of one day to fifteen days, used for inter-bank transactions. 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): It is a unsecured, negotiable short-term instruments in bearer form, issued by commercial banks and development financial institutions. It can be issued to individuals, corporations and companies.

5. Commercial Bill (Trade Bill): It is a short-term , negotiable, self-liquidating instrument which is used to finance the credit sales of firms. The bill can be discounted with a bank if the seller (drawer) needs funds before the bill maturity.



TYPES OF CAPITAL MARKET:

Primary Market: It is also known as the new issues market. It deals with new securities being issued for the first time. A company can raise capital through the primary market in the form of equity shares, preference shares, debentures, loans and deposits.

Secondary Market: It is also known as stock market or stock exchange or second-hand market. It is a market for the purchase and sale of existing securities.

Difference between Primary Market and Secondary Market

Primary Market	Secondary Market
1. It is the market for new securities.	**1. It is the market for existing securities.**
2. Securities are exchanged between company and the investors.	**2. Securities are exchanged between investors.**
3. It promotes capital formation directly.	**3. It promotes capital formation indirectly.**
4. Only buying of securities takes place. Securities cannot be sold here.	**4. Both buying and selling of securities can take place in the stock exchange / stock market.**
5. There is no fixed geographical location.	**5. There is a specified location.**
6. Prices are determined and decided by the management of the company.	**6. Prices are determined by demand and supply for the security in the stock exchange.**
7. Securities are issued to investors for the first time.	**7. Securities may be bought and sold many times but not the first time.**

<u>Methods of Floatation:</u>

<u>Following are the methods of raising capital from the primary market</u> :

- **1. Public issue through prospectus:** under this method the company wanting to raise capital issues a prospectus to inform and attract the investing public. It invites prospective investors to apply for the securities.
- **2.Offer for sale:** under this method the sale of securities takes place in two steps. In the first step the company sells the entire lot of shares to the intermediary firms of stock brokers at an agreed price .In the second step, the intermediary resells these shares to investors at a higher price.
- **3. Private placement:** In private placement the entire lot of new securities is purchased by an intermediary at a fixed price and sold not to the public but to selected clients at a higher price.
- **4 .Rights issue (for existing companies:** This is the offer of new shares (additional shares) by an existing company to the existing shareholders. The shareholder may either accept the offer for himself or assign to another. A rights issue to the existing shareholders is a mandatory requirement.

- **5. 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. This is called an Initial Public Offer (IPO). The issuer company should also appoint a registrar to the issue having electronic connectivity with the exchange.

STOCK EXCHANGE

- Meaning and definition of Stock exchange: The stock exchange is a market in which existing securities are bought and sold.
- The securities contract (regulation) act, 1956 defines "a stock exchange as an association, organization, body of individuals, whether incorporated or not, established for the purpose of assisting, regulating and controlling of business in buying, selling and dealing in securities".

Functions of stock exchange

1. Providing Liquidity and Marketability to Existing Securities: It gives investors the chance to disinvest and re-invest. This provides both liquidity and easy marketability to already existing securities in the market.

2. Pricing of Securities: Share prices on a stock exchange are determined by the forces of demand and supply. A stock exchange is a mechanism of constant valuation through which the prices of securities are determined.

3. Safety of Transactions: The membership of a stock exchange is well regulated and its dealings are well defined according to the existing legal frame work. This ensures that the investing public gets a safe and fair deal on the market.

4. Contributes to Economic Growth: A stock exchange is a market in which existing securities are re-sold or traded. Through this process of disinvestment and re-investment

savings get channelized into their most productive investment avenues. This leads to capital formation and economic growth.

5. Spreading of Equity Cult: The exchange can play a vital role in ensuring wider share ownership by regulating new issues, better trading practices and taking effective steps in educating the public about investments.

6. Providing Scope for Speculation: The stock exchange provides sufficient scope within in the provisions of law for speculative activity in a restricted and controlled manner.

TRADING PROCEDURE:-

The procedure for purchase and sale of securities in a stock exchange involves the following steps:

1. **Selection of broker**

   The first step is to select a broker who will buy/sell securities on behalf of the investor. This is necessary because trading of securities can only be done through SEBI registered brokers who are the members of a stock exchange. Brokers may be individual, partnership firms or corporate books. The broker charges brokerage / commission for his services.

2. **Opening demat account**

   The next step is to open a demat account. Demat (Dematerialised) account refers to an account which an Indian citizen must open with the depository participant (banks, stock, brokers) to trade in listed securities in electronic form.

   The securities are held in the electronic form by a depository. At present, there are two depositories in India **NSDL** (National Securities Depository Ltd.) and **CDSL** (Central Depository Services Ltd.)

   Depository interacts with the investors through depository participants. Your Depository Participant will maintain your securities account balances and intimate to you the status of your holding from time to time.

3. **Placing the order**

   The next step is to place the order with the broker. The order can be communicated to the broker either personally or through telephone, cell phone, e-mail etc.

   The instructions should specify the securities to be bought or sold and the price range within which the order is to be executed. Only the securities of listed companies can be traded on the stock exchange.

4. **Executing the order**

   According to the instructions of the investor, the broker buys or sells securities.

   The broker then issues a contract note. A copy of the contract note is sent to the client.

The contract note contains the name and the price of the securities, names of the parties, brokerage charged. It is signed by the broker.

5. **Settlement**

This is the last stage in the trading of securities done by the brokers on behalf of their clients. The mode of settlement depends upon the nature of the contract.

Equity spot market follows a T+2 rolling settlement. This means that any trade taking place on Monday gets settled by Wednesday. All trading on stock exchanges takes place between 9:55 am and 3:30 pm. Indian Standard Time, Monday to Friday. Delivery of shares must be made in dematerialized form, and each exchange has its own clearing house, which assumes all settlement risk.

DEPOSITORY SERVICES :-

It refers to that service through which the transfer of ownership in shares takes place by means of book entry without the physical movement of shares.

PARTICIPANTS OF DEPOSITORY SERVICES:

i. **DEPOSITORY:-**A Depository is an institution which holds the shares of an investor in electronic form. At present , there are two depository institutions in India :

   1. NSDL – National Securities Depository Limited.

   2. CDSL – Central Depository Services Limited.

ii. **DEPOSITORY PARTICIPANT: A** Depository Participant (DP) is an agent of the depository. He functions as a mediator between the issuing company and the investors through the depository.. He opens the accounts and maintains the securities account balance of the investors and conveys them the status of their holding from time to time.. As per SEBI guidelines, banks, stock brokers etc can become depository participants.

iii. **INVESTOR:** He is a person who wants to deal in shares and whose name is recorded with a Depository.

iv. **ISSUING COMPANY:** It is that organization which issues the securities. The issuing company sends a list of the shareholders to the depositories.

D'MAT/Demat ACCOUNT:

Dematerialization (popularly known as D'Mat) is the process of converting a share certificate from its physical form to electronic form and credit the same number of holdings to the D'Mat A/c which the investor opens with a depository participant.

D'Mat Account refers to that account which is opened by the investors with depository participant to facilitate trading in shares.

BENEFITS OF DEPOSITORY SERVICES and D'MAT ACCOUNT:

i) Exemption of stamp duty for dealing in shares in the electronic form.

ii) Elimination of problems associated with transfer of shares in physical form.

iii) Increased liquidity through speedy settlement.

iv) Reduction in paper work.

v) Attracts foreign investors and promoting foreign investments

- **SEBI'S CHAIRMAN MR. U. K. SINHA**
- It was set up in 1988 to regulate the functions of the securities markets with a view to promoting their orderly and healthy development, to provide adequate protection to investors and thus to create an environment to facilitate mobilization of adequate resources through the securities market.
- 1st May, 1992 SEBI was granted legal status. It is a body corporate having a separate legal existence and perpetual succession

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

Protective Functions:

(i) SEBI prohibits fraudulent and unfair trade practices in the securities market such as

(a) Price Rigging – Making manipulations with the sole objective of inflating or depressing the market price of securities.

(b) Misleading statements: SEBI prohibits misleading statements which are likely to induce the sale or purchase of securities.

(ii) SEBI Prohibits insider trading. An insider is a person connected with the company who is reasonably expected to have access to price sensitive information in respect of securities of a company which is not available to public at large. Directors, promoters etc., are considered as insiders when they make use of privileged information to make individual profits by buying or selling of the securities o the company is called insider trading.

(iii) SEBI undertakes steps to educate investors through investors, camps, T.V, News papers etc.,

(iv) SEBI promotes fair practices and code of conduct in securities market such as

a) Companies cannot roll over the debenture holders, funds unilaterally and cannot change terms - term.

b) SEBI is empowered to investigate cases of insider trading and has provisions for still fine and imprisonment.

c) SEBI has stopped the practice of making preferential allotment of shares at lower prices than market price.

(v) SEBI issues timely guidelines clarifications to investors during stock market up's and downs.

Development Function:

i. SEBI promotes training of intermediaries of the securities market such as brokers, sub – brokers etc.,

ii. SEBI has permitted internet trading in a limited way through registered stock brokers.

iii. In order to reduce the cost of issue, SEBI has made under – writing optional.

iv. SEBI has accepted the system of using the stock exchanges to market IPO's

v. All intermediaries including collecting banks here to register with SEBI

vi. Registration of foreign Institutional investors (FIIs) allowed for the development and growth of Indian markets.

vii. PSU bonds brought under SEBI's purview

viii. Private mutual funds are allowed for the benefit of small investors.

ix. Debenture trustees to be registered by SEBI etc.

Regulatory Functions:

i. SEBI registers and regulates the working of mutual funds.

ii. SEBI regulates takeover of companies

iii. SEBI conducts inquires and audit of the stock exchange.

iv. SEBI registers and regulates the working of stock – brokers, Sub – Brokers, Brokers to an issue, and Registrars to an issue, share transfer agents and such other intermediaries in the stock market.

v. SEBI regulates the business in stock exchanges and securities market.

vi. SEBI has notified rules and regulations and a code of conduct to regulate the intermediaries in the securities market such as underwriters, merchants, brokers etc.,

vii. Levying fee or other charges for carrying out the purposes of the Act.

Questions (with some hints wherever necessary)

Important questions are shown with * mark and the Most important questions are shown with ** mark

***1. What is a Treasury Bill? 1M**

***2. What is financial market? 1M**

3. Define Capital Market. 1M

4. What is meant by Commercial Paper? 1M

5. List out the instrument of capital market. 1M

6. Define stock exchange. 1M

7. What is call money? 1M

8. What is primary market? 1M

9. What do you mean by Secondary Market? 1M

10. Define money market. 1 M

11. What is D' Mat Account? 1 M

12. Name the form of shares in which they are stored under Depository system? 1 M

Hint : Electronic Form

13. Write the name of any one Indian Depository System . 1 M

14. What is meant by 'Rights issue of shares'? 3M

15. Differentiate between CP and CD 3M

16. "Stock market imparts liquidity to investment" – Comment 3M

17. What are the components of financial markets? 3M

18. What is the difference between CD and FD? 3M

19. What are T-bills? 3M

20. Explain the segments of Capital market. 3M

Hint: Primary Market and Secondary Market

21. What is pre-emptive right/rights issue? 3M

22. "Money market instruments are more liquid than capital market instrument" Comment 3M

23. What are developmental functions of SEBI? 3M

24. What are protective functions of SEBI? 3M

25. Name any six regional stock exchanges. 3M

26. Nature of capital market can be well explained with the help of its features. State any three such features of capital market. 3M

***27. What are the objectives of SEBI? 3M**

28 . Explain the scope of capital market. 4M

Hint :i) Uses of funds ii) Suppliers of funds iii) Capital market instruments iv) Financial intermediaries.

****28.. Distinguish between primary market and secondary market. 4M**

****29 what are the functions of financial markets? 4M**

30. What is meant by Primary Market? Briefly explain the concept of 'Rights issue for existing companies'. 4M

31. Define stock exchange. Explain any two features of stock exchange. 4M

***32. Distinguish between Capital Market and Money Market on the basis of i) Expected Return ii) Safety iiii) Instruments iv) Liquidity 4M**

33. What is meant by 'Primary Market'? Explain any two methods of floating new issued in the Primary Market. 4M

34. "To promote orderly and healthy growth of securities market and protection of investors, Securities and Exchange Board of India was set up" With reference to this statement explain the objective of Securities and Exchange Board of India. 4M

35. What is meant by 'Financial Market' Explain any two functions of Financial Market? 4M

****36. Distinguish between Capital Market and Money Market. 5M**

****37. What are the functions of stock exchange? 5M**

****38. Explain the various money market instruments. 5M**

39.. Explain the procedure of trading on a stock exchange. 5M

Hint: i) Selection of broker ii) Placing the order iii) Executing the order iv) Settlement

***40. "SEBI is the regulatory authority of the securities market". Do you agree? Give any four reasons in support of your answer. 5M**

Hint: Regulatory Functions of SEBI

41. "Primary market helps for capital formation where as secondary market provides liquidity". Discuss 5M

***42. "SEBI is the watch dog of the securities market" Comment 5M**

Hint: Yes, Regulatory Functions of SEBI

***43. "In today's commercial world, the stock exchange performs many vital functions" Do you agree? Give any four reasons in support of your answer. 5M**

***44. State any five methods of floating new issues in the primary market. 5M**

45. "Financial market plays an important role in the allocation of scarce resources in an economy by performing many important functions" Explain any four such functions. 5M

***46. Explain the Functions of SEBI. 6M**

***47. What is IPO? Explain various method of making it. 6M**

48. Explain the Organisational Structure of SEBI and objectives of its committees. 6M

49. Name the mechanism through which transactions are completed in the depository service . 1 M

Hint: Book entry

50. What is depository Service? Explain the participants of this services. 6M

51. What do you understand by D' Mat Account? Explain the benefits of it. 6M

THE ORGANISATIONAL STRUCTURE OF SEBI

i) SEBI is working as a corporate sector

ii) Its activities are divided into five departments. Each department is headed by an executive director.

iii) The head office of SEBI is at Mumbai and it has branch offices at Kolkata, Chennai and Delhi

iv) SEBI has formed two advisory committees to deal with primary and secondary markets.

v) These committees consist of market players, investors associations and eminent persons.

Objectives of the two Committees are:

i) To advise SEBI to regulate intermediaries

ii) To advise on issues related to development of primary market in India.

iii) To advise SEBI on disclosure requirements of companies

iv) To advise for changes in the legal framework for simplification and transparency in the primary market.

v) To advise the board on matters relating to regulation and development of secondary market in India.

CHAPTER – 11

MARKETING MANAGEMENT

14 Marks

LINKING CLASS XI SYLLABUS:

Business →Trade→Aids to trade→Marketing/Advertising.

CONCEPT MAPPING:

1. Market, Consumer, Seller / Marketer – meaning
2. Marketing – Meaning, Features
3. Marketing Management Philosophies
4. Marketing Functions
5. Marketing Mix – product, price, place and promotion
6. Advertising – meaning, features, merits and limitations..
7. Objections to advertising
8. Sales promotion– meaning and variety of Tools / methods used.
9. Personal selling –Concept and qualities of a good salesman
10. Public Relations – concept and role.

KEY CONCEPTS IN NUTSHELL

MARKET : It refers to a place where the buyers and sellers meet each other for sale and purchase of the commodity.

CUSTOMER : Customers refers to the people or organization that seek satisfaction of their needs and wants.

SELLER OR MARKETEER : The sellers or marketers offer a variety of entities to customers.

MARKETING : Marketing makes goods and services more useful to the society by creating place, time and possession utilities.

FEATURES OF MARKETING :

a. Needs and wants
b. Creating a market offering
c. Customer value

d. Exchange mechanism

DIFFERENCE BETWEEN SELLING CONCEPT AND MARKETING CONCEPT :

Points	Selling Concept	Marketing Concept
Starting point	Factors	Market
Main Focus	Attracting consumers	Consumer satisfaction
Means	Advertising, personal selling and sales promotion	Various marketing activities
Ends	Profit through maximum sales	Profit through consumer satisfaction

MARKETING MANAGEMENT: It deals with planning, organizing and controlling the activities related to the marketing of goods and services to satisfy the consumer's wants.

NATURE :

1. It is goal diverted
2. It determines the appropriate marketing mix if the firm.
3. It is a functional area of management
4. It is a specialized job
5. It is the marketing concept in action

OBJECTIVES :

a. Creation of demand

b. Market share

c. Goodwill

d. Profitable sales volume through customer satisfaction

e. To determine marketing mix that will satisfy the needs of the customers

f. To generate adequate profits for the growth of the business

MARKETING FUNCTIONS:

1. Marketing research
2. Marketing planning
3. Product planning development
4. Buying and assembling
5. Packaging and labeling
6. Branding
7. Customer support services
8. Storage and warehousing
9. Transportation
10. Promotion and selling
11. Standardisation and grading
12. Pricing
13. Fixing
14. Risk taking

MARKETING MIX, ELEMENTS :

1. Product Mix
2. Price Mix
3. Place Mix
4. Promotion Mix

MEANING OF MARKETING MIX:

It refers to the combination of four basic elements, product, price, promotion and the place known as the four P's of marketing.

PRODUCT: Total number of products and items that a particular seller offers to the market is called market mix.

a. Branding
b. Trade mark
c. Packaging
d. Labelling

PRICE MIX: It is the worth of a product or service in monetary terms :

Factors considered before fixing price are

a) Company objectives

b) Cost
c) Competition
d) Customer demand

PLACE MIX : It refers to a set of decisions that need to be taken in order to make the product available to the consumers for purchase and consumption.

Channels of distribution.
Physical distribution
Cost and service trade off in Logistics

PROMOTION MIX: It is concerned with activities that are undertaken to communicate with both customers and participate in the channel of distribution such that sales goals are realized.

ACTIVITIES INVOLVED IN PHYSICAL DISTRIBUTION OF GOODS

a. Transportation
b. Inventory
c. Warehousing
d. Order processing

FACTORS TO BE KEPT IN MIND BEFORE PRICING

a. Cost of production
b. Demand for product
c. Price if competitive firms
d. Purchasing power if customers
e. Government regulations
f. Objective

CHARACTERISTICS OF GOOD BRAND NAME :

1. Simple and short
2. Easily pronounceable
3. Suggestive
4. Distinctive

VARIOUS LEVELS OF CHANNELS OF DISTRIBUTION

1. Direct channel / Zero level channel
2. Indirect channels
   a. One level channel – Manufacturer to Retailer
   b. Two level channel – Manufacturer to Wholesaler to Retailer
   c. Three level channel – Manufacturer to Agent – Wholesaler – Retailer - Consumer

FUNCTIONS OF PACKAGING:

a) Protection

b) Identification
c) Convenience

FUNCTIONS OF LABELLING:

a) Identification
b) Classification
c) Promotion

ADVANTAGES OF BRANDING:

a) Brand name helps in advertising in easier way
b) Brand name establishes the permanent identify of the product.
c) Brand name promotes repurchasing.
d) Competition becomes easier with the help of brand loyalty.

ADVERTISING: It is defined as any paid form of non-personal presentation or promotion of ideas, goods or services by an identified sponsor.

Merits:
1) Mass reach
2) Enhancing customer satisfaction
3) Expressiveness
4) Economical

Limitations:
1) Less forceful
2) Lack of feed back
3) Inflexibility
4) Low effectiveness

Features:
a) Paid form
b) Impersonal presentation
c) Speedy and mars communication
d) Identified sponsor

OBJECTIONS TO ADVERTISEMENT

a) Adds to Costs: Advertising costs are passed on to the consumers in the form of high prices.
b) Some Advertisements are in bad taste.
c) Undermines social values.
d) Confuses the buyers.
e) Encourages the sale of inferior goods.

<u>PERSONAL SELLING</u>: It involves face-to-face interaction between the seller and the prospective buyer.

Features:
1) Personal interaction
2) Two way communication
3) Better response
4) Relationship

QUALITIES OF A GOOD SALES MAN:

i) Physical Qualities – personality , stamina, health,tolerance
ii) Mental Qualities – mental alertness, sharp memory, initiative, imagination and self confidence.
iii) Social Qualities – Socialbilty, tact, sound character, sweet nature.
iv) Vocational qualities – Knowledge of product ,knowledge of competitive products, training and aptitude.

Sales promotion: It refers to short term use of incentives or other promotion activities that seek to stimulate interest.

a) Rebates
b) Refunds
c) Discounts
d) Quantity deals
e) Contents
f) Packaged premium
g) Container premium
h) Premium Gifts
i) Sampling
j) Free in mail premiums

PUBLIC RELATIONS

Meaning: Public relations are the deliberate, planned and sustained effort to establish and maintain understanding between an organization and its public.

ROLE OF PUBLIC RELATIONS:

i) More credible.
ii) Economical Medium
iii) Image building.
iv) Boosts the sales of the organization.

VARIOUS PUBLIC RELATION TOOLS TO SHAPE THE PUBLIC IMAGE IF THE ORGANISATION

a) News
b) Speeches
c) Events
d) Written Materials

e) Public service activities

QUESTIONS (WITH SOME HINTS WHEREVER NECESSARY)

1. **Define market in modern marketing sense. 1M**
2. **Give an example of services which can be marketed. 1M**

Hint: Market Offer

3. **Define marketing management in present context. 1M**
4. **"They don't sell what they can make, but they make what they can sell ". Name the marketing philosophy to which this statement is related. 1M**
5. **Which concept of marketing suggests that the organization should earn profit through consumer satisfaction and social welfare? 1M**
6. **Give one function of marketing. 1M**
7. **Give few examples of direct channel (zero level) 1M**
8. **What do you mean by product? 1M**
9. **Mention one advantage of branding to consumers. 1M**
10. **What is meant by trade mark? 1M**
11. **Give one function of package. 1M**
12. **State the features of advertising(any one) 1M**
13. **Mention one objection to advertising. 1M**

Hint: Undermines social values.

14. **Define sales promotion. 1M**
15. **Explain the various method of sales promotion. 3/4M**
16. **What is meant by product concept of marketing? 3/4M**
17. **Explain the features of marketing. 3/4M**

18. **'Product is a bundle of utilities' Do you agree? Comment 3/4M**

Hint: It includes physical objects, services, ideas, place, experiences, properties, events, information's, persons which can be offered to the potential buyers for their use.

19. **Outline the objectives of marketing management. 3/4M**
20. **Enlist the advantages of packaging of products. 3/4M**
21. **Explain the term personal selling and explain the qualities of a good salesman.. 5/6M**
22. **Advertising and personal selling both are communication tools used by the marketers to promote their products. Yet, they differ in their approach. Differentiate between the two by giving any six differences. 5/6M**

Hints: Any five differences.

23. **Expenditure on advertising is a social waste. Do you agree? Discuss. 5/6M**

Hint: Partially true, write objections to advertising

24. **Explain the importance of advertising for manufacturers, consumers and the society. 5/6M**
25. **Explain the factors determining choice of channels of distribution of any product. 5/6M**
26. **Discuss the various elements of marketing –mix. 5/6M**
27. **Briefly explain the functions of marketing. 5/6M**
28. **What do you mean by marketing management? Explain its objectives.5/6M**
29. **How personal selling is important to businessmen, customers and the society. 5/6M**
30. **What are the merits and limitations of sales promotion? 5/6M**
31. **What is Public Relations? Explain its role. 6 M**

QUESTIONS BASED ON VALUES:

While marketing certain brand of cool-drinks, a MNC is following dual standards in Europe and Asian Countries. Identify the values missing.

Ans.

i. All customers should be treated equally.

ii. Customers' health should be given top priority rather than earining profits.

iii. Human values are missing .

CHAPTER - 12

CONSUMER PROTECTION 6 Marks

Class XI Syllabus Linkage:

Manufacturer→Wholesaler→Retailer→Consumer→Protection

CONCEPT MAPPING:

- Concept and Importance of consumer protection
- Consumer Protection Act 1986
  - Meaning of consumer and consumer protection.
  - Rights and Responsibilities of consumers.
  - Who can file a complaint and against whom?
  - Redressal machinery.
  - Remedies available
- Consumer awareness - Role of consumer organization and NGO's

KEY CONCEPTS IN NUTSHELL

Meaning: Consumer protection refers to protecting the consumer against anti-consumer trade practices by the producers or sellers.

IMPORTANCE OF CONSUMER PROTECTION:

1. Business is a means of human welfare
2. Growth with social justice
3. Single vs Multiple objectives
4. Stake holders of society / moral justification.
5. Power centre / social responsibility
6. Self interest
7. Ethical obligations
8. Public support

9. Consumer is the purpose of the business long-term interest of business

CONSUMER RIGHTS:

1. Right to safety
2. Right to be informed
3. Right to choose
4. Right to be heard
5. Right to seek Redressal
6. Right to Consumer Education

CONSUMER PROTECTION ACT 1986:

a) Under this Act, remedies available to consumers are as follows :
   1. Removal of Defects
   2. Replacement of Goods
   3. Refund of Price
   4. Award of compensation
   5. Removal of Deficiency in service
   6. Discontinuous of unfair / Restrictive Trade practice

CONSUMER RESPONSIBILITIES

1. Consumer must exercise his rights: They must be aware of their rights while buying.
2. Consmers should buy only standard goods like ISI/AGMARK goods only.
3. Filing complaint for the redressal of genuine grievances.
4. Consumer must be quality conscious / should not compromise on quality.
5. Consumers shluld learn the risks associated with products and services.
6. Do not forget to get receipt and Guarantee / Warranty Card.
7. Consumers should read labels carefully.
8. Consumers should be honest in their dealings. They should buy only legal boods.

9. Consumers should respect environment. Avoid waste, littering and contributing to pollution.

10. Consumers should form consumer societies.

Ways and Means of Consumer protection

a) **Self regulation by business:** Every firm insists to have a strong consumer base which means that more and still move people should buy their products. This is possible only when the consumers are fully satisfied with the products of the firm.

b) **Business Associations:** Business associations prepare a code of conduct for businessmen.

c) **Consumer Awareness :** Consumer should protect himself

d) **Consumer organizations:** these organizations can force business firms to avoid malpractices and exploitation of consumers.

e) **Government:** Interests of the consumers are protected by the government by enacting various legislations. Consumer protection Act 1986 is an important legislation by the government to provide protection to the affected consumer.

Various remedies available to the consumers for redressing their grievances under the consumer protection Act 1986.

a) **District forum:** According to consumer protection Act state government can set up one or more district forum in each district.

   1) District forum hears disputes involving a sum upto Rs. 20 Lacs.

   2) It can file appeal against it with the state commission within 30 days.

b) **State commission:**

c) 1) State commission redresses grievances involving a sum exceeds Rs. 20 lacs and upto Rs. 1 crore.

   2) It can file an appeal before the national commission within 30 days.

d) **National commission :**

e) 1) It is appointed by the Central Government

   2) It has the jurisdiction to hear complaints involving a sum exceeding Rs. 1 crore.

3) It can file an appeal with the Supreme Court within 30 days

ROLE of Consumer Organisations and Non-Government Organisations (NGO's)

1. Education Consumers
2. Collecting data on different products and Testing them
3. Filing suit on belief if consumers
4. Helping Educational institutions
5. Promoting network of consumer association.
6. Extending support to Government

NGOs : Non-Government Organisations are those organizations which aim at promoting the welfare of the people with non-profit concept. They are taking up various aspects of consumer exploitation.

a) Consumer co-coordinating councils

b) Role of the press

c) Role of Universities / Schools

Legal protection to consumers:

a) The Consumer Protection Act 1986

b) The Contract Act 1982

c) The Sale of Goods Act 1930

d) The Essential Commodities Act 1955

e) The Agricultural produce (Grading and Marketing) Act 1937

f) The Prevention of Food Adulteration Act 1954

g) The Standards of Weights and Measures Act 1976

h) The Trade Marks Act 1999

i) The Competition Act 2002

j) The Bureau of Indian Standards Act 1986.

Questions (with hints wherever necessary)

1. Mention the act which provides protection to consumers. 1M

2. The scope of consumer protection act is very wide. How? 1M

3. Mention one reason behind importance of consumer protection from consumer point of view. 1M

4. What does consumer protection act 1986 aims at? 1M

5. Consumers might be exploited by unscrupulous, exploitative and unfair trade practices. Give few examples of such practices adopted by sellers. 1M

6. Who is a consumer under consumer protection act? 3M

7. Explain three aspects of consumer protection. 3M

8. Give any three points showing the importance of consumer protection from consumers' point of view. 3 M

9. Give the meaning of Right to Safety. 3M

10. What are the responsibilities of consumers? 3M

11. Explain the rights of consumers. 5M

12. What are the remedies available to consumers under the consumer protection act, 1986? 5M

13. Explain briefly any five ways and means of consumer protection followed in India. 5M

14. Explain in brief any five responsibilities of consumers to safeguard their interests. 5M

VALUE BASED QUESTION

1. Ananya is a pure vegetarian. She went to a snacks bar and asked for "Veg. French Fries". Later on, she found that it had some non-vegetarian content. Neither the advertisement, nor packing of the product showed that it may have non-vegetarian content. Identify the values missing here in this context.

Ans. The manufacturer is not honest. So the value missing here is "Honesty".

The right to information is violated.

2. A pharmaceutical company is marketing its medicines in India which were banned in some other countries due to their side effects. The company did not mention this information anywhere. Identify the values missing.

Ans. I) Right to information is violated

ii) Consumer protection is ignored.

iii) The company is not following uniform practices in all the countries.

iv) India should have stringent laws to punish such companies.

ALL THE BEST OF LUCK