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PREFACE In the curricular structure introduced by this University for students of Post- Graduate degree programme, the opportunity to pursue Post-Graduate course in Subject introduced by this University is equally available to all learners.

Instead of being guided by any presumption about ability level, it would perhaps stand to reason if receptivity of a learner is judged in the course of the learning process. That would be entirely in keeping with the objectives of open education which does not believe in artificial differentiation.

Keeping this in view, study materials of the Post-Graduate level in different subjects are being prepared on the basis of a well laid-out syllabus. The course structure combines the best elements in the approved syllabi of Central and State Universities in respective subjects. It has been so designed as to be upgradable with the addition of new information as well as results of fresh thinking and analysis.

The accepted methodology of distance education has been followed in the preparation of these study materials. Co-operation in every form of experienced scholars is indispensable for a work of this kind.

We, therefore, owe an enormous debt of gratitude to everyone whose tireless efforts went into the writing, editing and devising of proper lay-out of the materials. Practically speaking, their role amounts to an involvement in invisible teaching.

For, whoever makes use of these study materials would virtually derive the benefit of learning under their collective care without each being seen by the other.

The more a learner would seriously pursue these study materials the easier it will be for him or her to reach out to larger horizons of a subject. Care has also been taken to make the language lucid and presentation attractive so that they may be rated as quality self-learning materials. If anything remains still obscure or difficult to follow, arrangements are there to come to terms with them through the counselling sessions regularly available at the network of study centres set up by the University. Needless to add, a great part of these efforts is still experimental—in fact, pioneering in certain areas.

Naturally, there is every possibility of some lapse or deficiency here and there. However, these to

admit of rectification and further improvement in due course. On the whole, therefore, these study materials are expected to evoke wider appreciation the more they receive serious attention of all concerned.

Professor (Dr.) Ranjan Chakrabarti Vice-Chancellor

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Post-Graduate Degree Programme Master of Business Administration (MBA) Course Code : CP-107 Course

Title : Organizational Behaviour

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Ashit Baran Aich Registrar (Acting)

Netaji Subhas Open University

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1 PREFACE In the curricular structure introduced by this University for students of Post-Graduate degree programme, the opportunity to pursue Post-Graduate course in Subject introduced by this University is equally available to all learners. Instead of being guided by any presumption about ability level, it would perhaps stand to reason if receptivity of a learner is judged in the course of the learning process. That would be entirely in keeping with the objectives of open education which does not believe in artificial differentiation. Keeping this in view, study materials of the Post-Graduate level in different subjects are being prepared on the basis of a well laid-out syllabus. The course structure combines the best elements in the approved syllabi of Central and State Universities in respective subjects. It has been so designed as to be upgradable with the addition of new information as well as results of fresh thinking and analysis. The accepted methodology of distance education has been followed in the preparation of these study materials. Co-operation in every form of experienced scholars is indispensable for a work of this kind. We, therefore, owe an enormous debt of gratitude to everyone whose tireless efforts went into the writing, editing and devising of proper layout of the materials. Practically speaking, their role amounts to an involvement in invisible teaching. For, whoever makes use of these study materials would virtually derive the benefit of learning under their collective care without each being seen by the other. The more a learner would seriously pursue these study materials the easier it will be for him or her to reach out to larger horizons of a subject. Care has also been taken to make the language lucid and presentation attractive so that it may be rated as quality self-learning materials. If anything remains still obscure or difficult to follow, arrangements are there to come to terms with them through the counselling sessions regularly available at the network of study centres set up by the University. Needless to add, a great part of these efforts is still experimental—in fact, pioneering in certain areas. Naturally, there is every possibility of some lapse or deficiency here and there. However, these to admit of rectification and further improvement in due course. On the whole, therefore, these study materials are expected to evoke wider appreciation the more they receive serious attention of all concerned. Professor (Dr.) Ranjan Chakrabarti Vice-Chancellor

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3 Notification

Miles and Snow3 views it as a pattern or stream of major and minor decisions that redirect the organisation's resources toward environmental opportunity. Ansoff considers it to be decision rules concerned with the external

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problems of the firm specifically with the selection of the product mix which the firm will produce and the markets to which it will sell.

Porter5 considers it as the combination of the ends (goals) for which the firm is striving and the means (policies) by which it is seeking to get there. With the emergence of futuristic organisations, which are not only responsible for making a profit or producing goods, the role of an organisation has become more wider. According to Tofflar, an organisation would "

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simultaneously contributing to the solution of extremely complex ecological, moral, political, racial, sexual and social

problem". Thus the managers are called upon to shoulder a set of entirely new responsibilities necessitating a drastic review of the emerging concepts and techniques.

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Objectives of Strategic Management Studies The objectives have been stated by authors such as Christensen and others and

Steiner and others in terms of knowledge, skills and attitude. Objectives in Terms of Knowledge 1. Understanding the various concepts such as plans, policies, programmes, strategy etc. Many of these concepts are encountered in functional area courses also.

8 2. Knowledge about the external and internal environment and their effect on the functioning of an organisation. 3. Scanning of

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the environment helps in the determination of the mission, objectives and strategies of the organisation. 4. Crafting and implementation of strategy is the most important and difficult part of strategic management. The

managers are able to visualise it only through the knowledge gained. 5. With a generalised:

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approach to problem solving and decision making; it is possible to deal with a wide variety of situations. The development of this approach is an important objective to be achieved

in terms of knowledge. 6. Review of literature in the field of strategic management is also an important knowledge objective. Objectives in Terms of Skills 1. Analysis of case studies and through the analysis of the business events knowledge will be attained. This knowledge leads .to the development of skills so as to apply what is learnt. 2. The study of the subject will develop analytical ability. 3. The study of the subject will

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lead to the skills of identifying factors relevant in decision making. The study of strengths and weaknesses of an organisation threats and opportunities (SWOP) in the environment and the crafting of

the appropriate strategies and policies

will lead to the core content of general management decision-making. 4. The skill to link theory with practice develops. Objectives in Terms of Attitude 1. The attitude will develop

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a generalist. The generalist attitude enables the person to approach and assess a situation from all possible

aspects. 2. The attitude has to be like a practitioner rather than a perfectionist. All information required may not be available always, a perfectionist may postpone or avoid decision, but a generalist could go ahead with the available information. He

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is able to function under conditions of partial ignorance by using his or her judgement and intuition. 3.

To possess a liberal attitude. Rigidity in regards to techniques is to be replaced by pragmatism. The generalist should be receptive to new ideas, information and suggestions. 4. Developing a creative and innovative attitude and to go beyond and think in case of problematic situations is the hallmark of a general manager.

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10 Unit 2 ppppp Conceptual Foundations Strategy An organisation's

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strategy consists of the combination of competitive moves and business approaches that managers employ to please customers, compete successfully, and achieve organisational objectives.

The management in effect is choosing among all the paths and actions that could have been chosen, the path they decide to move in a particular direction. Focus on the market and customers accordingly, allocate the resources and energies in that way, and rely on these particular approaches to doing business. Alfred D Chandler (1962) made a comprehensive analysis of the interrelationships among the environment, strategy and organisation structure.

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He defined strategy as "the determination of the basic long terms goals and objectives of an enterprise and the adoption of the courses of action and the allocation of resources necessary for carrying out these goals."

Igor Ansoff (1965),
a well known authority in the field of strategic management says: "

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The common thread among the organisation's activities and product-markets as above that defines the essential nature of business that the organisation was or planned to be in future."

William F. Glueck (1972)°,
another well known author in strategic management
defines

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strategy as : "A unified, comprehensive and integrated plan designed to assure that the basic objectives of the enterprise are achieved." Glueck

gives a more comprehensive and integrated view where he mentions about a plan which is unified meaning to join all parts of the enterprise together. From the few definitions mentioned herein we note that a strategy is : (a)

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A plan or course of action or a set of decision rules creating a common

linkage. (b) The

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common thread related to the organisation's activities which are derived from

the policies, objectives and goals. (c) Pursuing those activities which will move this organisation from the present

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position to a desired future state. (d) Concerned with the resources necessary for implementing a plan or following a course of action. 11

Mission : "A mission statement

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is an enduring statement of purpose that distinguishes one business from other similar firms. A mission statement identifies the

scope of a firm's operations in product and market terms" John. A. Pearce II. Fred David observes that a mission statement

reveals the long term vision of an organisation

in terms of what it wants to be and whom it

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wants to serve. It describes an organisation's purpose, customers, products or services, markets, philosophy and basic technology. In combination, these components of a mission statement answer a key question about an enterprise "What is our business?"

A good answer to this question makes strategy formulation, strategy implementation and strategy evaluation activities much easier. Purpose : The senior management in an organisation determine certain purpose or several purposes which their company should be able to achieve in the long run. In the various activities performed by the managers the guiding factor is the purpose. The purpose could be anything which their organisation strive for. If the purpose is taken seriously by 'the managers, it will have good impact for achieving success for the organisation. Objectives : William F. Glueck says "objectives help define the organisation in its environment. Most organisations need to justify their existence, to legitimise themselves in the eyes of the Government, customers and society at large. And by stating objectives, they also attract people who identify with the objectives to work for the organisation. Thus, objectives define the enterprise." William H. Newman and Charles E. Summer observe objectives as "those ends which the organisation seeks to achieve by its existence and operations." An organisation may state its objective increase in market share. When objectives are stated in specific terms, they become goals to be attained. Goals : A goal is defined as "an intermediate result to be achieved by a certain time as part of the grand plan. A goal is a closed-ended attribute which is precise and expressed in specific terms." Policies, Procedures and Rules A policy channelises the organisational efforts in a predetermined direction and leads to the achievement of goals, objectives, purpose and mission of the company.

12 Policies are subdivided into a series of related steps or tasks expressed in a chronological order, which lays down the procedures. Rules are the prescribed course of action that explicitly state what is to be done under a given set of circumstances. A company may take a policy to offer products which have surplus stock at a discount. The procedure may explain how to decide which products have surplus stock and what percentage of discount is to be offered. A rule may specify the way in which a discount plan is going to operate. Plans and Programmes A programme includes

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goals, policies, procedures, rules and steps to be taken in putting a plan into action.

Programmes are action plans supported by funds allocation. They are basically projects. A plan may be implemented through a series of programmes. Forecasts Forecasting implies the act of making a detailed analysis of the future to gain a foresight of background situations and latent forces. Planning is essentially based on forecasting. Although accurate forecasting is highly desirable, yet it is always subject to degree of error. Forecasts should therefore, carefully be made and still more carefully be relied upon by the managers. Budgets A budget is a plan statement for a given period of time in future, expressed in financial or physical units. Budgets perform the essential task of resource allocation. Budgets could be fixed or flexible. They are generally prepared for a period of one year, but are reviewed from time to time during its period. Tactics Strategy gives rise to tactics, and thus, tactics may be thought of as a sub-strategy. However a tactics for one may be a strategy for another and vice versa and the term is often confused with strategy. Types of Planning Systems : Planning is a function of management, categorised into different types and .considered as a major set of techniques. Operational Planning The focus is on

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the day-to-day affairs of the company. Oprational planning is lower level planning and is

based on subgoals derived from the organisational objectives.

13 In managing the day to day operations, the line managers or middle level managers follow guided.by a set of policies, procedures, rules, forecasts and budgets. For instance, a production manager confirms to the rules and follows the procedures set for different activities and achieves the target of manufacturing the number of items as planned. Project Planning In project planning the planning is made for a clearly identified programme e.g. launching of a product. The nature of each project is unique, therefore the planning• has to be done seperately in every case. A programme may consist of several projects. Proper allocation of resources and its utilisation within the forecasted time period is the essence of project planning. Management by Objectives (MBO) George S. Ordiorne has defined

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Management by Objectives as a process whereby the superior and subordinate managers of an organisation jointly identify its common goals, define each individual's major areas of responsibility in terms of results expected of him, and use these measures as guides for operating the unit .and assessing the contribution of each of its members.

Ordiorne also stressed that MBO is not merely a set of rules, a series of procedures or even set method of managing, but it is a way of thinking about management. The implementation process of MBO involves the following steps : (i) setting of objectives, (ii) revision of organisational structure, (iii) establishment of check-points and (iv) appraisal of performance. MBO calls for regulating the entire process of managing in terms of meaningful, specific and variable objectives at different levels of management hierarchy. It stimulates meaningful action for better performance and higher accomplishment and the technique is bound to affect the entire organisational structure, culture and style. Short Term and Long Term Planning There is no definite planning period on the basis of which plans could be easily classified as being of a short or long duration. The planning period will mainly depend, among other factors, on the degree of uncertainty in future and on the nature of products. For a ship building company, the planning period could be 25 years or more, whereas for a fashion garment manufacturer the period may be one year. A basis on which plans can be termed as short-or long range is the commitment principle : "a period of time in the future necessary to foresee, as well as possible, the fulfilment of commitments involved in decisions made today." Generally, short term plans are for one year and long term plans are for 3-5 years period.

14 Corporate Planning Corporate planning is a term used to denote a formal, comprehensive and systematic appraisal of environmental and internal factors in order to evolve strategies to achieve organisational objectives. Corporate planning is however taken to be synonymous with long range planning and strategic planning. Strategic Planning. Through an examination of external and internal factors for an organisation, a set of mission, purpose, objectives, policies plans and programmes for implementation evolves. This process is strategic planning. Strategic planning is considered as a part of a wider system of managing through strategy, i.e. strategic management. Nature of Business Policy 1. How well is the present strategy working? 2. What is the strategy? 3. What are the firm's strengths, weaknesses, opportunities and threats? 4. Explain the difference between Competencies and Core Competences. 5. What are Company competencies and capabilities? 6. Define the types of Core competencies. 7. Determine the competitive values of a company resource. 8. Explain the strategic management principles identifying a company's markets opportunities. 9. What are the strategic management principle identifying external threats? 10. What is the role of SWOT analysis in crafting a better strategy? 11. Are company's prices and costs competitive? Explain the statement. 12. Why rival companies have different costs? 13. What is strategic cost analysis? 14. What is the concept of a company value chain? 15. What is the difference between traditional cost accounting and activity based costing? 16. What are the objectives of benchmarking? 17. What determines whether a company is cost competitive? 18. How strong is the company's competitive position? 19. What strategic issues does the company need to address?

15 Strategic Management : An overview 1. What is Competitive Strategy? 2. What are the objectives of competitive strategy? 3. What are the five generic competitive strategies? 4. What are the characteristics of a low cost provider? 5. When does a low. cost strategy work best? 6. Explain the pitfalls of low cost strategies. 7. What are the benefits of successful differentiation types of differentiation themes? 8. Where to find differentiation opportunities in the value chain? 9. When does a differentiation strategy work best? 10. Explain the pitfalls of differentiation strategies. 11. How does a best-cost strategy differ from a low-cost strategy? 12. What are the competitive strengths of a best-cost provider strategy? 13. What makes a Niche attractive for focusing? 14. Why are strategic alliances formed? 15. Define the potential benefits of alliances to achieve global and industry leadership. 16. Why alliances fail? 17. Define merger and acquisition strategies and its benefits. 18. Explain the pros and cons of integration vs. de-integration. 19. When does outsourcing make strategic sense? 20. What are the strategic advantages of outsourcing? Analysis of External and Internal Environment 1. Why is the world economy globalizing? 2. What is the motivation for competing internationally? 3. Explain the differences in host government trade policies? 4. What are- the characteristics of the following : (a) Multi country competition. (b) Global competition. (c) Export strategies. (d) Licensing strategies. (e) Franchising strategies.

16 5. Explain the differences between multi country and global strategies pursuing competitive advantage by competing multinationally. 6. What are profit sanctuaries? 7. What is cross-market subsidization? 8. Explain the ways of achieving global competitiveness via cooperation. 9. Explain the pitfalls of strategic alliances. 10. What are the guidelines in forming strategic alliances? 11. What are the characteristics of competing in emerging foreign markets? 12. What are the, strategies for local companies in emerging markets? Organizational culture and objective stung 1. What are the features of an emerging industry? 2. Explain the strategy options for competing in emerging industries. 3. Explain the strategy options for competing high- velocity markets. 4. What are the keys to success in competing in high velocity markets? 5. What are the characteristics of industry maturity? 6. Define the strategy options for competing in a maturity industry. 7. What are the competitive features of fragmented industries? 8. What are the characteristics of Industry leaders? 9. Write the different types of runner-up firms. 10. What are the rules of offensive strategy? 11. What is an end game strategy? 12. Explain the types of end game options. 13. When should an end game strategy be considered? Module-1 Model Test Paper 1. (a)

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The strategy making/strategy implementing process consists of five interrelated managerial tasks. What are

they? (b) Thinking strategically : What are the 3 big strategic questions? (c) What is strategy? (d) What is a business model? (e) What is the difference between strategy and a business model? 2. (a) What are the characteristics of a strategic vision? (b) What is a mission statement?

17 (c) What is strategic vision? (d) Why is strategic vision important? (e) Give two examples each of broad and narrow mission statement. 3. (a) What is 'competitive strategy'? (b) What are 3 objectives of competitive strategy? (c) Name 5 generic competitive strategies. (d) Name 3 strategic advantages of outsourcing. (e) Name the 3 principles of timing and competitive advantage. 4. (a) How does internet technology impact a company's value chain efficiency? (b) Explain briefly the 'first mover advantage myth'. (c) What is a brick-and click strategy? (d) What are the advantages of different internet positioning options? References 1. Alfred J. Chandler Strategy and Structure : Chapters in the History of Industrial Enterprise, 2. Igor Ansoff Implanting Strategic Management, (Englewood Cliffs, New Jersey ; Prentice Hall International), 1984. 3. W. F. Glueck Pgl 3. Ibid

18 Unit 3 ppppp Strategic Intent : Vision, Mission and Purpose, Business Definition and Objectives Mission : One necessary step in creating a. mission is to understand the arena in which the firm competes.

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The obvious purpose of a mission statement is to make public what the firm stands for? What makes the firm

more effective competitor? The advantage of formulation of the mission is that it also results in a clear definition of the business of a company. Mission statement and definition of business are indeed two sides of the same coin. Business definition suggested by Derek Abell I is along three dimensions : customer group (i.e. who is being satisfied) customer functions (i.e. what need of the customer

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is being satisfied) and alternative technologies (i.e. how the need is being satisfied). Fig. 1 Three Dimensions

of a Business Definition Such a three dimensional definition of the business would clearly delineate the boundaries and nature of the business. The formulation of the mission statement should be clear and comprehensive taking into consideration the business definition. Drucker 2 suggested three fundamental questions that would help to clearly define/redefine the business and formulate/reformulate the mission. These questions are: What is our business? What will our business be? What should our business be?

19 The strategist should ponder seriously on these questions and it might be revealing to him, and he may redefine his mission. What most managers do is to ask this question when the company is in bad shape, but it should really be done at the outset and more so when the company is successful. The first step for formulation of a mission statement will be to understand the industry in which it operates. In doing so a business builds the foundation that will shape every strategic decision it makes. Industry knowledge creates the general understanding of the environment in which the business competes, the customers it serves and the industry dynamics. Some examples of industry categories would be: HDFC Bank is in the banking or financial service business. Indian Airlines is in the transportation business. Oracle is in the information technology business. Shoppers Stoppe is in the. retail/general. merchandise business. E Mercl is in the pharmaceutical business. Industry description provide the scope of what business the firm is in. It also clearly identifies activities in which the firm do not participate. Understanding the industry helps the firm analyse the risk and to decide whether it should diversify fr.om business cycles or focus on a limited arena. A company's mission should reflect : Who they are, what they do, to whom they offer product and services, and how they offer these products and services in a distinct way of being better. An effective mission statement will also reflect an organisation's core competency and match it with the needs of the customer. It will also integrate into the organisation to such an extent that it aligns the interests of the employees with those of the organisation. The reasons to develop

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a Mission Statement King and Cleland' recommended that organisations develop a written mission statement for the following reasons : 1. To ensure unanimity of purpose within organisation. 2. To provide a basis, or standard, for allocating organisational resources. 3. To establish a

general tone or organisational climate. 4. To serve as a focal point for individuals to

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identify with the organisation's purpose and direction, and to deter those who cannot from participating further in the organisation's activities. 20 5. To facilitate the translation of objectives into a work structure involving the assignment of tasks to responsible elements within the organisation. 6. To specify organisational purposes and the translation of these purposes into objectives in such a way that cost time and performance parameters can be assessed and controlled.

Mission statement

must articulate an organisation's purpose. To create a mission statement a team has to be made who would be responsible for crafting the statement. The mission should state : i) the purpose i.e. the object to be attained; ii) intention to act : resolution, determination; iii) reason for existing : aim, aspiration, goal, motivation, object, objective, plan, target etc; iv) determination : devotion, drive, resolve, tenacity' etc. In simple-terms, the mission statement will communicate the reason for existence of the firm to the stakeholders. The mission statement also serve as a beacon to the employees. If this statement is very complex, unrealistic employees may feel frustrated and will not hold the mission as their own.

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Vision "Strategic Vision is a roadmap of a company's future-providing specifics about technology and customer focus, the geographic and product markets to be pursued, the capabilities it plans to develop, and the kind of company that management is trying to create"

Thompson and Strickland. 4 The mission statement generally deals with a shorter-term outlook, whereas the mission statement gives a broad long term view of the company's desired state. Being a future perspective it involves intuitive understanding of what the firm wants to in the long term. Like a mission statement, the vision statement serves as a reference point for strategic decision making, conveying benefits to the customers and to other stakeholders articulating competitive advantage and underscoring the driving principles of the organisation. When we evaluate an organisation, we look into the following three points : i) Is the vision statement clearly describing the future state? ii) Does the vision serve the long term interest of their primary state holders? iii) Does the vision provide a foundation for their decision making? The vision statement is used to prepare the company for the future. The vision of course should remain flexible enough to take advantage of any new emergency opportunities as well.

21 A strategic vision portrays a company's future business scope, whereas a company's mission statement describes its present business scope. The importance of vision and mission is enormous, they instill a sense of urgency, direction and success throughout the organisation. Peter Schultz, CEO of Porsche relates the following illustration which brings out the effectiveness of vision. Three people were breaking stones at a construction site, but when each was asked about their job, the answers varied. "Breaking rocks" the first replied. "Earning a living" responded the second. "Helping to build a cathedral" said the third. Few of us can build cathedrals, but to the extent we can see the cathedral in whatever cause we are following, the job seems more worthwhile. Good strategists and a clear mission help us find those cathedrals in what otherwise could be dismal issues and empty causes. Setting Objectives and Goals The purpose of setting objectives is to convert the statements of vision and mission into specific target i.e. the results and outcomes the organisation wants to achieve. Setting objectives and measuring performance against them help to find the progress of the organisation.

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Objectives are open-ended attributes that denote the future states or outcomes. Goals are close ended attributes which are precise and expressed in specific terms.

Objective setting is required at all levels of managerial activity. Company wide objective in broken down into specific targets for each organisational unit. It creates a result-oriented climate throughout the company. Role of Objectives 1. Objectives define the relationship between the organisation and its environment. An organisation clearly state what it has to achieve for the customers, employees and the society at large . 2. Objectives provide the direction for organisational efforts. Every activity is directed to the objective and every employee contributes to meet the goal. 3. Objectives help in coordinating the activities of the organisation towards the desired goal. 4. Objectives serve as performance standards and actuals are compared against them. They provide a benchmark for assessment. 5. Setting goals make clear to an individual what he is supposed to do. Thus it acts as a motivational factor for the individual who is on the job.

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Characteristics of Objectives 1. In an organisation objectives form a hierarchy i.e. objectives are structured in a hierarchy of importance. 22

Below the mission is the overall objectives of the organisation, which could be termed as the corporate objective and they are formed by the Board of Directors and top level managers. In a multi-SBU organisation, the next level in the hierarchy. is the SBU objectives. These are specific objectives in the key result areas. The divisional objectives are then formed on the basis of the SBU objectives. Below the divisional objectives are the departmental objectives i.e. the objectives for different departments like Finance, Marketing etc. Again within the department each section may have its objectives, which will help in achieving departmental objectives. Then there are individual objectives in a corporate sector which help in developing the other objectives. Thus a hierarchical organisation has hierarchy of objectives. 2. Network of Objectives : Objectives are all inter related and inter dependent. Various objectives in an organisation support one another, if they do not, then individuals will be working on cross purpose. Hence, network of objectives. The conflicting objectives and components of the network has to be looked into by managers and an amicable trade off has to be worked out. 3. Multiplicity of Objectives : No organisation acts on a single or few objectives. Objectives pursued by an organisation are multifarious. The different types of objectives arise due to different functions, (e.g. Marketing, Production) etc., Fig. Hierarchy of Objectives
23 organisational

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levels (e.g. higher or lower), nature (e.g. personal or organisational), ends (e.g. growth or survival). External factors e.g.

customers, shareholders, govt., society etc. will also be considered when different objectives are being set. Thus there will be multiplicity of objectives. Organisations need to set adequate and appropriate objectives so that the major performance areas are covered. Periodicity : Objectives are usually related to time. Long range medium term and short term objectives are set based on the requirement. Long range objectives extends generally over five or more years. Short term objectives are generally for one year period and medium range objectives are in between the two. Objectives of different time periods are integrated. Thus, goal setting is a synergistic process and

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to remain viable, every organisation needs to set goals in all three time periods.

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What Objectives are Set Objectives have to be set in all those performance areas which are of strategic importance to the organisation. Peter Drucker has suggested eight vital areas where objectives are to be set. They are

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market standing, innovation, productivity, physical and financial resources, profitability, manager performance and development, worker performance and attitude and public responsibility?

But these are a broad classification but in real life situations managers differ widely with regard to the objectives they choose to set. There could be economic objectives and social objectives. Some of the economic and social objectives are so intertwined that it is difficult to separate them. Economic objectives followed by many organisations are generally (i) Survival (ii) Growth (iii) Profit and Return on Investment (iv) Innovation (v) Market Share. Social objectives are more and more taking centre stage in today's world. R. F. Baker aptly describes the situation as follows : "Business traditionally has been responsible for quantities-for the supply of goods and jobs, for costs, prices, wages, hours of work and for standards of living.

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Today, however, business is being asked to take on responsibility for the quality of life in our society.

The expectation is that business-an addition to its traditional accountability for economic performance and results-will concern itself with the health of the society, that it will come up with the cures for the ills that currently beset us and indeed, will find ways of anticipating and preventing future problems in these areas. 6 Social objectives of a business may be grouped into three broad categories i) Objectives which protect consumer interest. 24 ii) Objectives which protect the interests of the workers; iii) Objectives which protect the interests of the society. From above we find that economic and social objectives encompass promoting the interests of different categories of people like the shareholders, workers, consumers, local population and the general public. The two objectives might conflict with each other. For example, increase in profit may be at the cost of customer through increase in price of the product. Again increasing labour welfare, installing pollution control devices etc may reduce the profits. Therefore, a proper balance between the two has to be struck. We must note that profit motive is not always against social objective. Without profit an enterprise will close down. So earning a reasonable level of profit should be the foremost objective of a company. If a company does not earn profit the enterprise cannot discharge social obligations and responsibility. Profits may be increased even without hindering the social objectives. If the productivity is increased it will automatically increase the profit. Satisfactory level of wages and labour welfare could contribute to the improvement in productivity and industrial relations. Although several objectives may outwardly appear to be conflicting, they could be mutually supporting in several cases.

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Critical Success Factors (CSFs) Managers can initially identify the key factors which are needed to ensure organisational success. According to Ohmae' these critical success factors (CSFs) should form the basis for business strategy.

CSFs focusses on the

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particular area and exploit the opportunities available therein to its advantage. This involves a three step process

as suggested by Rockart. i)

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What does it take to be successful in this business (Generate CSF) ii) What should the organisations objectives and goals be with regard to CSFs. (Transforming CSFs into objectives) iii) How will we know whether the organisation has been successful on this factor? (

Identifying measures of performance) CSFs could be based on manager's statements, expert opinions, through brainstorming within the organisation etc. It is the result of long years of experience of managers which helps to develop CSFs. Consider an example. A service organisation mainly depends on the quality of customer service, but there are other CSFs too e.g. in a courier service firm reliability, speedy delivery and of course, price are very important critical factors. 25 The use of CSFs in objective setting and strategic choice are key to a successful organisation. Social Responsibility of a Business Earlier business entities were looked upon

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as an economic enterprise to provide goods and services for public consumption and a profit for the

owner. But now the approach has changed. A firm, after all, is a social institution. The decision taken by corporate managers can affect the community lives and also national and international economic and social activity. A healthy organisation should visualise these impacts realistically, particularly the environmental hazards created due to unmindful exploitation of nature by the industries for making profits. However many people feel that social obligation is hampering the growth of industry. The important arguments for and against the social involvement of business are the following :

Arguments for Social Involvement in Business

- i) Business has a responsibility towards the society whose resources it uses for fulfilling its objective.
- ii) Business is not isolated. It is integrated to the social system, so it has to take cognisance of this fact and has to care of the varied needs of the society.
- iii) If business takes interest in the upliftment of the society's cause, a harmonious relationship grows up between the two and in the long run the business is benefited.
- iv) A business which has good capacity in the form of money and other assets has a special responsibility towards the society.
- v) Social involvement creates a better public image.

Arguments against Social Involvement of Business

- i) Government and other social organisation's job is to carry out social activities, whereas organisation should concentrate.
- ii) Economic health of an organisation may be affected due to involvement in social activity. An organisation must keep its motive focussed on profit, ROI (Return on Investment) and market share.
- iii) If the cost of social involvement is passed onto the customers in the form of price rise, then it could affect its competitiveness both in the international and domestic market.
- iv) Social involvement of business may lead to a an increase in the dominance of business over the society. Whatever may be the argument, social objective of business has to be added for various reasons.

26 References 1.

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D. F. Abell Defining the business : The Starting point of Strategic Planning,

Prestice Hall, New York 1980. 2. Peter F. Drucker Management, Harper & Row, New York, 1974. 3. W. R. King & Strategic Planning and Policy, Von Nostrand Reinhold, D. I. Cleland New York 1979. 4. Arthur A Thomson Jr Strategic Management Concepts and cases, Tata A. J. Strickland III McGraw Hill Publishing Co Ltd, New Delhi, 2001, p6. 5. P. F. Drucker The Practice of Management, Harper and Row, New York, 1954. 6. R. F. Baker 'Are profits and social concerns incompatible? Pittsburg Business Review, August-September 1971. 7. K. Ohmae The mind of the Strategist, Penguin, New York, 1982. 8. John F. Rockart "CE's define their own data needs" in Harvard Business Review Mar-Apr 1979, p89 .

27 Unit 4 ppppp Environmental Appraisal The environment of a business may be defined as "

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the aggregate of all conditions, events and influences that surround and affect it."

The business environment

consists of both internal and external environments. The internal factors are generally regarded as controllable factors, as the organisation on its own can alter or modify such factors. The external factors, on the other hand, are by and large, beyond the control of the organisation. The term business environment generally refers to the external environment such as economic factors, socio-cultural factors, demographic factors, geo physical factors government and legal factors etc, which are generally regarded as uncontrollable factors. Andrews defines the environment of an organisation as the pattern of all external influences that affect its life and development. 2 The study of the firm's environment is of vital importance for more than one reason. 1. Without the information about the environment it is not possible to conduct business successfully. 2. Environment opens up fresh avenues for the expansion of new entrepreneurial operations. 3. Knowledge about the changing environment is absolutely necessary for dynamic approach of a business. 4. With the study of the environment, the business can aptly increase its image by following the pattern and also strive to make the environment hospitable to the growth of business and business dimensions. 5. By adjusting to the environmental conditions prevailing, the business might influence the environment in order to make it more congenial to business. The business co-operates with its environment, from which it receives the necessary "resources" and "opportunities" for its existence and growth. So there is a close relationship between a business firm and its surrounding environment. The multidimensional environment is often complex. We will discuss the main areas of interaction with environment here.

28 "The micro environment consists of the actors in the company's immediate environment", that affect the performance of the company. The micro environmental factors are more intimately linked with the firm and

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need not affect all the firms in a particular industry in the same way.

When competing firms in an industry have the same micro elements the relative success of the firms depends on their relative effectiveness in dealing with these elements. 1. Suppliers : These are firms or individuals who provide the company with the factors of production to carry on its economic activity. Uncertainty regarding the supply often compels the business firms to take adequate measures so that the production of goods do not get hampered. The supply management assumes more importance in a scarcity environment. 2. Firm : The entire organisation works in cohesion towards achieving the objectives of the firm. The work of different departments are linked so as to accomplish the goals and objectives of the firm. 3. Marketing Intermediaries : These are firms that help the parent firm in advertising, production, selling and distribution of the goods and services. They include middlemen, marketing service agencies, market research firms, distribution firms and financial intermediaries like banks, insurance and other institutions. 4. Customers : The major task of a business is to create and sustain customers. It is the customers for which the business exist, therefore it is of utmost importance to monitor the customer sensitivity for the success of the business. There could be different categories of customers like individuals and households, producers and organisations, Fig. 1 Micro Environment of the firm

29 retailers, government agencies and international buyers. The choice of customer segments should be made by considering a number of factors including the relative profitability, stability of demand, dependability, growth prospects and the competition in the market. 5. Competitors.: Every firm faces a wide range of competitors, not only from those firms which make similar products, but also all those who compete for the discretionary income of the consumers e.g. a refrigerator manufacturer may face competition from TV or air conditioner or micro oven manufacturer or even savings and investment schemes like mutual funds etc. This competition may be described as desire competition as the primary task here is to influence the basic desire of the customer. Generic Competition relates to the different alternatives which satisfy a particular category of desire of a customer e.g. TV, VCR, Stereo etc. Product form competitors i.e. product forms that can satisfy the buyers' particular desire. Brand competitors, i.e. the brands that can satisfy the same desire. Public "A public is any group that has an actual or potential interest or impact on an organisation's ability to achieve its interests".4 The public can help or hurt a company to a great extent. Generally, there are various types of public by which a firm is surrounded. i) Media publics, who carry the news, features, editorial opinion and expert comments. Specially dedicated TV channels have made this media public even more strong in making and ruining a company. ii) Government public : This refers to the roving eye of the govt. on the corporate sector. iii) Citizens action public : They are very effective public in generating a movement which may affect the business. iv) Financial public : They affect the company's ability to obtain funds e.g. Banks, Financial Institutions, Investment houses etc. v) Local public such as neighbourhood or community residents and community organisations. vi) General public, its attitude towards the company's products and services. vii) Internal public which includes Board of Directors, managers, blue and white coloured workers etc.

30 Macro Environment (i) Economic Environment There is a close relationship between a business firm and the economic environment around it. Economic conditions, economic policies and the economic system are important external factors that constitute the economic environment of a business. The economic systems, policies of India got a total new direction from 1991, when the economy was opened up. The globalisation has affected the country in a big way. The GDP growth has been around 6%. There has been a spurt in the business and employment mainly in the high end technological sectors. Agricultural, industrial, fiscal, tax, fuel price, trade. policies, growth and pattern of national income, per capital income, inflationary or recessionary pressures, purchasing power of customers, infrastructure development etc, all these affect the strategies of a business firm. (ii) Political and Government Environment Political and Government environment has a close link with the economic system and economic policy. Political-legal environment is the background of laws and regulations within which a business operates. The Government interacts with business. In different countries, however, the degree of interaction varies. Governments at three levels-local, state and centre exert different amounts of influence on the business. Any change in Government may bring about radical changes in laws governing the national and international affairs of administration of laws and changes in them. So political and Government environment goes. hand in hand. The main reasons for enacting legislations are (i) to protect firms from each other by preventing unfair competition (ii) to protect consumers from unfair business and (iii) to protect the larger interests of society against unbridled business behaviour. Certain changes in Government policies such as the industrial policy, labour policy, tariff policy, fiscal policy etc may have great impact on business. Some policy changes create opportunities as well as threats. Business managers should be able to understand the changes and fix up strategies depending on them. They should also understand the political system, as a change in a political system may mean changes in relationship between the Government and specific firms. Some firms may gain whereas others may suffer. The business should tread very carefully and strategically in its relationship with political environment. (iii) Social and Cultural Environment I Social and cultural environment probably has the greatest impact on business. This environment poses the most serious challenge to business.

31 The buying and consumption habits of the people, their language beliefs and values, customs and traditions, education, tastes and preferences, taboos and religious bias are all factors that affect a business. Changes in lifestyle and social values throws up new opportunities and also creates threats for the existing units. More and more women are going for work rather than becoming housewives and we find increase in the packaged food, ready made home delivery business. Similarly, preference for salwer kameez, jeans, maxies and other modern dresses, than saris. Young boys and girls going to beauty parlours and discos increasingly. Major social problems particularly environmental health hazards have been noticed and a growing concern has been shown for pollution . control. Cigarette smoking in the public places has been banned, child labour and such other menace has become a concern for the society. Consumerism is becoming increasingly important. The advocates of consumerism insist that business should prove its social responsibility by taking immediate action in many areas. Barker observes, business "traditionally has been held responsible for quantities-for the supply of goods and jobs, for costs, prices, wages, hours of work and for standards of living.

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Today, however, business is being asked to take responsibility for the quality of life in our society.

The expectation is that business in addition to its traditional accountability for economic performance and result will concern itself with the health of the society, that it will come up with the cures for the ills that currently beset us and, indeed, will find ways of anticipating and preventing future problems in thcsc areas." (iv) Demographic Environment A business exists in a society and therefore the population characteristics plays a vital role in business decision making process. Factors like size, growth rate, age . composition, sex composition, family size, language, caste, religion, educational levels, economic stratification etc of the population become important for strategy formulation. As the growth of population increases, the business increases. If we consider the foreign multinational companies, they are trying to occupy space in the Indian and other Asian markets for the sheer enormity of the market due to huge population. The product selection and marketing will be very much effected by the consideration of economic strata and the educational levels of the population. Rural marketing strategies will be quite "different from that of cities. Moreover supply of skilled and unskilled labour and technocrats plays a vital role for the growth and development of a business. If the population is highly

32 heterogeneous, then differing demand patterns calls for different strategies. Thus in making a decision the demographic characteristics have to be factored in. (v) Natural or Ecological Environment Business and Industry are closely linked with environment and resource utilisation. Production process and strategy for eco-friendly technologies throughout the lifecycle of the product and minimisation of waste play major role in protecting the environment and conservation of resources. Most of the industries are not fully sensitive to the damage to the environment. Business and industry have to recognise this as a priority area and a key determinant to sustainable development. Markets of the future will be able to create wealth if they respond to sustainable development. Paul Hawken in his book 'The Ecology of Commerce' published in 1993 mentions that "business has, three issues to face : what it takes, what it makes and what it wastes." "What it takes" is the natural material and resources from earth's ecosystem. "What it makes" is the product and services derived from the resources. 'What it wastes' is not only in form of garbage or pollution but also through a damage to the ecosystem. If business disregards this damage to the ecosystem, then it would mean disregard to our life support system. Geographical and ecological factors, climate and weather conditions affect the location of certain industries. Product mix may have to be adjusted sometimes according to geographical conditions e.g. jeeps may be in greater demand than cars in hilly terrains. (vi) Technological Environment Technological developments over the last 25 years and particularly in the last decade has thrown open a challenge not only to business but to the mankind at large to survive this onslaught. Every business today has to adapt to the change. Creativity and innovation are the emphasis area for the business to compete. Firms have to gear up to develop new technology or adopt to the latest available technology. Kaontz and O'Donnell have listed the following categories of technological changes : 6 i) Increased ability to master time and distance for movement of freight and passengers; railroads, automobiles, and trucks, aeroplanes, space vehicles. ii) Increased ability to generate, store, transport and distribute energy : electricity, nuclear power and laser. iii) Increased ability to design new materials and change the properties of others so that they better serve needs : steel alloys, synthetic fibres, plastic, new drugs. iv) Mechanisation and automation of certain mental processes : the computer. v) Mechanisation and automation of physical processes. vi) Extension of human ability to sense things : radar, the electron microscope, night vision instrument. vii) Increased understanding of individual and group behaviour and how to deal with it : psychological bases of motivation, group behaviour patterns, improved management techniques. viii) Increased understanding of diseases and their treatment : inoculation of polio, kidney transplants, antibiotic treatment of infections, etc. Business managers need to work in close collaboration with R & D scientists to encourage more market oriented research. But at the same time they must be alert not to encourage harmful effects of technology. Technology should be guided for beneficial development of mankind. (vii) International Environment Domestic companies in this globalised era are also affected by the change in the international scenario as most of them has some import and/or export connection. Multinational companies are of course more vulnerable to any change, say, in the change in the government of a country. A major international development have their spread effects on domestic business e.g. the oil price rise which hikes the transportation cost, cost of production and prices of certain products like fertilisers. In such cases also certain opportunities are there for automobile industries to produce technologically developed fuel efficient automobiles. In today's business developing export market for more profitable earnings is a strategy most of the companies adopt. However, a company which depends on the export market heavily also face the impact for adverse developments in the foreign markets. (viii) Appraising the Environment The appraisal of the environment is an absolute necessity as this gives the

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picture. of what opportunities and threats are faced by the organisation at a given time.

Without the environment scanning an organisation may find itself in difficulty to continue in business. A company who does business blindfoldedly will land up with lot of difficulties and may even ultimately wind up. Whereas a company is alive to a given situation can form strategies suitable at that time and even an adverse situation may be converted into an opportunity. Thus an organisation has to be

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aware of the factors that affect environmental appraisal, identifying the environmental factors and structuring the outcomes of

the appraisal. References 1. Davis Keith The Challenge of Business, McGraw-Hill Brok Co, New York, 1975, p.43. 2. Andrews Kenneth R. The Concept of Corporate Strategy, D. B. Taraporewala & Sons Co. Pvt Ltd., Mumbai, 1972. 3. Koller Philip Marketing Management (New Delhi Prentice Hall of India, 1974, p124). 4. Koller Philip Marketing Management (New Delhi : Prentice Hall of India, 1974 p.128). 5. Barker Are profits and social concern incompatible? in Pittsburg Business Review, August-September 1971. 6. Keontz Harold and Management : A system and Contingency Analysis of Cyril O'Donnel Management Functions, McGraw-Hill Kogakusha Ltd., Tokyo, pp 80-81.

35 Unit 5 ppppp Organisational Appraisal Any organisation which means business should always be aware of its resources. In the process it is an absolute necessity to know the strengths and weaknesses of its own organisation. This will help the organisation to reduce the lacunae and abogine more stress on its strengths to have a competitive edge. An organisation is dynamic and so the strengths and weakness of it should always be gauged for a given time. The resources, behaviour, synergy,

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strengths and weaknesses and distinctive competence of an organisation determine the nature of its internal environment:

Organisational Resources Organisational resources are the physical and human resources. The resources go as an input and through a process produce the outputs i.e. the products and-services. Some of the important resources are people, money, material knowledge, systems, physical facilities etc. An organisation which has got the resources available at a reasonable cost is at a far more better position and an organisation whose cost is higher or where these resources do not exist. Organisational Competence and Capability An organisation develops certain strengths and weaknesses on the basis of its resources and behaviour, which combines together to lead to synergistic effects. These effects build up the organisational competencies.

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A distinctive competence is "any advantage a company has over its competitors because it can do something which they cannot or it can do something better than they can".

Organisational capability devolves on the capacity and the potential of an organisation to utilise its strengths and overcome the weaknesses to exploit the opportunities and face the threats of the external environment. Different types of capability factors exist in the internal environment of an organisation. These are marketing, finance, operations, human resource management department, R & D department and general management. Financial capability of an organisation

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relate to the availability, usage and management of funds and all related aspects

which may have a bearing on the organisation's ability to implement its strategy. Marketing capability factors are related to products or services, price, promotional, distribution channels and overall integrated and systematic functioning of the related factors.

36 Operations capability factors relate to production system, planning and control. The technology and its upgradation collaborations are also important aspects of operations management. Human resource management appraisal is very important. It is important to find out how the organisation is perceived by the people as an employer and how does it compare with other organisations in terms of corporate image, whether the organisation has unique advantages in relation to the quality of its managers, staff and workers. The effectiveness of the system of manpower planning, recruitment selection, training etc. are important factors. The Industrial relations aspects, the relationship between management and unions are of utmost importance. Research & Development plays a vital role in competitive advantage. The factors of capability relate to proper personnel, availability of latest technologies, whether technology collaborations are of any benefit to the organisation, whether the organisation use strategic management. The mission objectives and goals are to be clearly understood. The management information system has to be reliable and dependable. Whether the organisational culture support the achievement of the objectives, how effectively strategic decisions are implemented, the level of influence the organisation have over Government and other regulatory bodies, and financial institutions. The public relations activities and other external relationships are important factors of capabilities. A comprehensive picture based of the various capabilities can be drawn for a company. Glueck proposes a strategic advantage profile (SAP) where the results of organisational appraisal are presented in summarised form. Others have suggested to prepare a company capability profile which can be presented in a concise form as SAP. Organisational appraisal along with external environment appraisal are used to generate strategic choice and strategic alternatives. Reference 1. W. F. Glueck and. Business Policy and Strategic Management (4th L. R. Jauch Edition) New York: McGraw Hill, 1984, p174.

37 Unit 6 Strategic Alternatives The results obtained by analysing the external and internal environment of an organisation provide the inputs needed by the organisation to develop its strategic intent and mission. Strategic intent shows how resources, capabilities and core competencies will be leveraged to achieve the objectives in a competitive environment. SWOT Analysis It is one of the prime and primary steps in strategic management.

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SWOT is the acronym for strengths, weaknesses, opportunities and threats.

Strengths are internal competencies of a firm, particularly in comparison with that of its competitors. Weaknesses are those factors which reduce the competencies of the firm. Strengths and weaknesses depend on the internal environment of a firm, whereas opportunities and threats are in the external environment. So a SWOT analysis helps to set up an effective strategy.

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What makes an opportunity or a threat relevant is important to the firm and its likelihood of occurring. In order to carry out a SWOT, the firm should look into certain key issues :

TABLE 1 Key Issues in SWOT Analysis

Strengths	Weaknesses
A distinctive competence?	No clear strategic direction?
Adequate financial resources?	A deteriorating competitive position?
Good competitive skills?	Obsolete facilities?
Well thought of by buyers?	Subpar profitability?
An acknowledged market leader?	Lack of managerial depth & talent?
Well-conceived functional area	Missing any key skills or competences?
strategist?	Access to economies of scale?
Poor track record in implementing strategy?	Insulated (at least somewhat)
Plagued with internal operating problems?	from strong competitive pressure?

38 Strengths Weaknesses Proprietary technology? Vulnerable to competitive pressures? Cost advantages? Falling behind in R & D? Competitive advantages? Too narrow a product line? Product innovation abilities? Weak market image? Proven management? Competitive disadvantages? Other?

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Below average marketing skills? Unable to finance needed changes in strategy? External Analysis

Opportunities Threats Enter new markets or segments? Likely entry of new competitors? Add to product line? Rising sales of substitute products? Diversity into related products? Slower market growth? Add complementary products? Adverse Government policies? Vertical integration? Growing competitive policies? Ability to move to better strategic Vulnerability to recession and business group? cycles? Complacency among rival firms? Growing bargaining power of customers or suppliers? Faster market growth? Changing buyer needs and tastes? Other? Adverse demographic changes? Other? Reference Adapted from 'Strategic Management' Text & Cases, V. S. P. Rao and V Hari Krishna, Excel Book, New Delhi., 2003, pp 2.17-2.18

39 Unit 7 ppppp Dimensions of Grand Strategy

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Grand strategy is the general plan of major action by which a firm intends to achieve its long term goals. It provides basic direction for the strategic actions of a firm.

For any strategist, it is absolute necessity that he has clear perception of the major strategies to be used, their nature, contribution to organisational goals. So to begin with, a strategist should know the type of strategies which may be profitably used. Grand strategies, which is also referred as generic

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strategies, fall into four general categories : growth/expansion, stability, retrenchment and combination.

Growth Strategy If the, answer to the question 'should the company increase the level of activities in the current business and/or enter new business? is affirmative, a growth/expansion strategy is the strategy to be called for. The growth strategy is pursued when the business goes for adding new products/services or enter new markets or wants to substantially increase the cement business. The reasons for growth (including expansion of business) are i)

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Natural urge : A healthy firm normally has a natural urge for growth. Opportunities provide great stimulus

for a company to make best use of the opportunities and expand in this dynamic world. ii) Survival : Somctimcs growth is requircd for survival. A firm has to grow at least to reach the break even level. Again if a firm does not grow when competitors are growing, it will undermine its competitiveness. iii) Market Share : A company may grow to increase its market share. Growth is necessary even to maintain the market share in a growing market. iv) Leadership : Objective of growth for several companies is to be the market leader. v) Competition : Growth in many cases is a competitive strategy. When a competitor enters the company' market, the company may enter the competitor's markets as a counter competitive strategy. Again many companies have a tendency to grow the same way as the competitors grow. vi) Diversification Risk : A company may diversify to minimise the business risks. vii) Resources : Full utilisation of the existing resources or potentials of the company is an objective of growth in many cases.

40 viii) Opportunities : Exploitation of the business opportunities, particularly after economic liberalisation is the motivation for growth. ix) Motivation : Employees of an organisation will be devoid of any challenges, opportunities and growth if the firm is static and there is no growth. Efficient people will leave the firm. x) Profits : One of the prime objectives of growth is to increase profits. xi) Miscellaneous : There could be special objectives like production of essential goods, export, social objectives like generating jobs for those displaced due to modernisation etc. There could be even personal reason for example, head of a family group business in India decided to diversify so, that there was enough business for all the family members. Stability Strategy The stable growth strategy is desirable for a firm which has a smooth sailing and where environment is not excessively hostile. This type of strategy is followed by a firm when : i) There is no deviation from the existing strategy i.e. no drastic change is expected in the goods and objectives of the firm. ii) It continues to serve customers in similar products or services . iii) The environment is relatively stable and not much change is expected. Organisations follow a stability strategy for a variety of reasons : a) If the company is doing reasonably well, managers may not like to take risk associated with aggressive growth. b) An organisation that has stretched its resources during accelerated growth may like to have stability before embarking on further growth. Stability allows a firm to take breath and reexamine what has been done already and proceed cautiously. c) If the growth prospects are low, a firm may hold on its current market share. To maintain that the firm has to have marginal improvement in performance in line with changing market. d) Where there is a constraint in internal resources, a stability strategy is preferred. e) If the firm's strategic advantage lies in the current business and market, to exploit the competitive advantage fully, it will pursue stability strategy.

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Retrenchment Strategy Retrenchment Strategy is a corporate level, defensive strategy

and involves in pruning or curtailment of the operations of the business so as to achieve a higher level of efficiency. The following situations warrant the deployment of such strategy. i) The current level of performance is far below its past achievements. ii) The management wants to wipe out the previous deficit. iii) It discontinues support to some products and services, which are not doing well. The company serves the customers. with its existing, time tested products/services.

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Managers choose retrenchment when they think that the firm is neither competitive enough to succeed through counter attack

nor have the potential to be a fast follower. Retrenchment however, does not mean the end of the firm. Many well established companies have faced such situations but withered them by successfully addressing their weaknesses. Combination Strategy This type of strategy involves the blending of different types of strategies for the firm or its sub-units either simultaneously or sequentially. Normally, deployment of this strategy based on the premises that a company should have different strategies for different environmental situations. Where a combination strategy is followed, the management uses different strategies for different sub-units or for different phases of time. The possible combinations may be as follows. i) Stable growth' in some sub-units while retrenchment in others. ii) Stable growth in some sub-units while growth in others. iii) Retrenchment in some sub-units and growth in others. Large, diversified organisations generally use this type of strategy. Dimensions of Grand Strategies The four grand strategies are the 'pure strategies' and it is possible to have a large variety of 'mixed strategies'. Glueck has proposed four dimensions of the grand strategies. Consideration of these dimensions and. grand strategies opens up many strategic alternatives. The four dimensions along which the grand strategies could be defined is considered and enumerated as follows : i) Internal/External dimension a) Internal dimension operates when the organisation unaware of any other entity adopts a strategy independently.

42 b) External dimension operates when an organisation

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adopts a strategy in association with other entities. ii) Related/Unrelated Dimension a) When an organisation adopts a strategy that is related to its existing business

definition, the related dimension operates. b) When an organisation adopts a strategy that is not related

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to its existing business definition either in terms of customer groups, customer functions or alternative technologies, the

unrelated dimension operates. iii) Horizontal/Vertical Dimension a) Horizontal dimension operates when an organisation adopts a strategy which results in consolidation of the business horizontally. For example, serving additional customer groups and satisfying customer function in such a way that they complement the existing business. b) Vertical dimension operates when an organisation adopts a strategy which results in expansion or contraction of the existing business definition in terms of utilisation of alternative technologies. iv) Active/Passive Dimension a) When

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an organisation adopts offensive strategy in anticipation of environmental threats and opportunities,

the active dimension operates. b) When an organisation adopts defensive strategy in anticipation of environmental threats and opportunities, the passive dimension operates. When the four grand strategies are elaborated in terms of four dimensions, taken together with three dimensions of business definition, it is theoretically possible to have (4 x 4 x 3) 96 possibilities. Of course, not all possibilities are feasible or practically possible. We would consider the major types of strategic alternatives for our studies. Diversification and Integration Strategies A diversification strategy is one by which the firm attains a growth level with the addition of new products/services internally to the existing product/service line. If the new lines added uses the existing facilities or it amounts to forward or backward integration, it is regarded as related diversification (e.g. the diversification of SAMSUNG). Some companies expand the business in to unrelated industries (e.g. ITC Ltd., which is in the business of cigarettes, oil, hotels etc.) Expanding the markets to new geographical areas is also regarded as diversification.

43 Factors Influencing Diversification The important reasons, for companies diversifying their business are the following : i) When the management feels that its product/service line is in the declining stage. ii) Even when current business has scope for further growth, there may be opportunity for new lines and faster growth in the new market, higher profit margins, less competition etc. iii) When an industry experiences excessive competition, eventhough the company is doing, well, diversification acts as a cushion against any calamity. iv) The benefits arising out of synergy can also be had by diversification. v) A company may diversify for incremental growth. vi) Diversification may be a competitive strategy to gain edge over competitors before they enter the market. Sometimes it may be to follow the competitor in business expansion. vii) A company through diversification may enhance its market position, image etc. viii) Diversification may act as an inspiration for competent people to look for growth and be encourage to remain with the firm. Risks of Diversification i) The new business of the firm may fail and may result in huge losses, which may adversely affect the old business. ii) Diversification sometimes results in the neglect of the old business. iii) Diversification may invite retaliatory moves by competitors, which may affect the old business also. Diversification is of two types : i) Synergistic diversification ii) Conglomerate diversification In the synergistic diversification, new products/services are sold in new markets, when the resources required for producing or marketing the new line are highly compatible with the existing resources. The synergy result from the similar production, R & D, sales force skill or particular management skill. Conglomerate diversification is quite unrelated diversification i.e.

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the new business will have no relationship to the company's current 44 technology, products or markets e.g. WIPRO which is

in the business of computers, edible oils, soaps, BPO etc. While conglomerate diversification provides enormous scope for business expansion and growth but inexperienced fields may sometimes create their own problems. Ansoff has developed a mechanism for analysing diversification decision. This is given below : Fig 7.1 : Ansoff's Diversification Matrix

New Products	New Missions	Related Technology	Unrelated Technology
Firm its own customer	Vertical Integration	Same type of product	Horizontal Integration
Similar type of product	Marketing and technology	Marketing related	concentric diversification
New type of product	Technology related	Marketing related	concentric diversification

Ansoff's diversification matrix helps the strategist to consider the various possible strategies which may be profitably exploited in a given marketing environment. Mergers, Acquisition and Take Overs

Today mergers, acquisitions and other types of strategic alliances are on the agenda of most industrial groups. The term merger, amalgamation, take over and acquisition are often used interchangeably to refer to a situation where two or more firms come together and combine into one to avail the benefits of such combination. "The decision to invest in a new asset would mean internal expansion for the firm. The new asset would generate returns raising the value of the corporation. Merger offers an additional means of expansion which is. external i.e. the productive operation is not within the corporation itself. For firms with limited investment opportunities, mergers can provide new areas for expansion. In addition to this benefit, the combination of two or more firms can offer several other advantages to each of the corporations such as operating economies, risk reduction and tax advantage."

2 Mergers : The term merger include consolidation, amalgamation and absorption. It refers to a 45 situation when two or more existing firms combine together and form a new entity. Sometimes new company is incorporated, otherwise one existing company survives and another existing company, which is smaller, is merged into it. However if an existing company is merged into another existing company, it is known as absorption. The merger of Tata Oil Mills Ltd and Brooke Bond Lipton (India) Ltd into Hindustan Lever Ltd were cases of absorption. The term merger is used to denote the fusion of two or more companies to achieve expansion and diversification. Thus merger is an arrangement for bringing the assets and liabilities of two firms under

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control of one which may or may not be one of the two original		

firms. Acquisition : It includes take overs also. Acquisition refers to the acquiring of ownership right in the property and assets. Acquisition results when one company purchases the controlling interest in the share capital of another existing company. The term take over is used to denote the acquisition, which is hostile in nature and. the company which is being taken over may put resistance and oppose the take over bid. Different types of merger and acquisitions can be classified on the basis of functional relationship between two companies and the economic impact on their operations.

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Horizontal Merger: It is a merger between two or more companies that compete in the same industry. It is a merger with direct competitor and hence expands the firm's operations in the same industry.		

It results in

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economies of scale and reduce competitor. 2. Vertical Merger : It is a merger between two or more companies which are operating in the same industry but at different stages of production or distribution system. If a company takes over its supplier/producers of raw material, then it may result in backward integration of its activities. If on the other hand, a company take over the retailer or customer company		

is result in forward integration. This merger results in many operating and financial economies. Vertical merger provides total integration of supply chain for the new company. 3. Conglomerate Merger : The merger is between two or more companies operating in different and unrelated industries. It is an expansion of a company into areas unrelated to existing lines of business and results in portfolio of lines of business. There is an increase in total economic activities of the company. Reasons

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for Merger : For a merger to take place, two firms have to act. One is the buyer and another is the seller.

Glueck' has identified the reasons why they merge.

46 Why the buyer wishes to merge? 1. To increase the value of the organisation'

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s stock. 2. To increase the growth rate and make a good investment. 3. To improve stability of earnings and sales. 4.

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balance, complete, or diversify product line. 5. To reduce competition. 6. To acquire

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needed resource quickly. 7. To avail tax concessions and benefits. 8. To take advantages of synergy.

Why the seller wishes to merge? 1.

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To increase the value of the owner's stock and investment. 2. To increase the growth rate. 3. To acquire resources to stabilise operations. 4. To benefit from tax legislation. 5. To deal with top management succession problem.

Important issues in merger Strategic issues consider the common strategic interests between the buyer and the seller firms. Strategic advantages and distinctive competencies of the merging firms have to be found out and also the positive synergistic effects of the merger has to be assessed. A merger should be able to generate strength that will help the post merger organisation to achieve its objectives in a more comprehensive manner. Financial issues relate to the valuation of the sellers' firm and the sources of financing for mergers to take place. Valuation of the firm requires to be done by eminent financial experts. The total purchase price or the price per share of the target firm may be calculated by taking into consideration many factors. The following are some of the factors : i) Tangible and Intangible Assets of the target firm. ii) Market/Realisable value of the assets. iii) Earnings of the firm. For realistic valuation of the firm, the whole situation is to be considered in its totality. 3. Managerial issues crop up as the merger takes place. The perception of the changes in the management alongwith the direction of management after merger also matters and affects the process of merger itself. Normally, with mergers there are changes in the top management and staff. If the merger is threatening, the existing group of managers will create opposition and make the process of merger difficult. If the status quo is maintained, then the merger could be smooth. 4. Legal issues play a vital role in mergers and acquisitions. The regulatory framework

47 was initially contained in MRTP Act 1969. Presently; the merger and acquisitions of corporate entities are regulated by provisions contained in. (i) Companies Act, 1956 (ii) Security Contracts (Regulations) Act 1956 (iii) Income Tax Act 1961 (iv) Sick Industries Companies (Special Provisions)• Act 1985 (v) Securities and Exchange Board of India, 1992 and (vi) Listing. Agreement of the stock exchanges. Take overs seem to become an oft repeated phenomenon in today's world. But there are two opposing views to it. One argument is that take overs are necessary and desirable because they offer easy growth, avoid gestation period, offer a chance to sick units to survive etc. The other view is that professionalism gets replaced by money power and are detrimental to national economy as it does not create any real assets for society. The minority shareholders are affected and the ripples created in the companies exposed to threat of take over or taken over companies affect them for quiet some time. Take overs could be friendly where the motivation for take over is first ascertained and the financial arrangements are made when negotiations are made. In many cases merchant bankers play an important role. A final arrangement is

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made by fixing the price to be paid for share transfer.

Hostile takeovers follow a different route. Here

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shares are picked up from the open market and with the help of other majority shareholders a bid is made to enter the company's board and to

garner majority support and acquire control. However, existing management try tooth and nail to oppose this and often the move forestalled through court cases. This does not argue well for the company's day to day business. The Caparo group of U.K. made a hostile take over bid in 1988 to take over DCM Ltd and Escorts Ltd, by purchasing shares from the market. This is popularly known as 'raid'. SEBI, however, have framed Take over Code 2002 in view of such activities. The first Take over Code was introduced in 1997 in India by SEBI. Joint Venture Strategies Consolidation takes place when two or more companies combine to form a new company.

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Joint ventures are a special case of consolidation where two or more companies form a temporary partnership (

also called a 'consortium') for a specified purpose.°

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Joint ventures are an excellent way to share costs, spread risks and combine expertise in case of new projects involving huge outlays.

It also helps in venture partners sharing new technology, expands their scale of operations even globally and exploit new markets. Joint ventures can be within national boundaries or: across national boundaries. Conditions for joint ventures : Joint ventures may be useful mainly under four conditions: 1.

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When an activity is uneconomical for an organisation to do alone. 48 2. When the risk of business has to be shared and, therefore, is reduced for the participating firms. 3. When the distinctive competence of two or more organisations can be brought together. 4. When setting up an organisation requires surmounting hurdles such as import quotas, tariffs, nationalistic political

interests, and cultural road blocks. The above conditions really bring out the effectiveness of the joint venture strategy. Turnaround, Divestment and Liquidation

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Strategies A turnaround is designed to reverse a negative trend and bring the organisation back to normal health and profitability.

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This is done through an attempt to find out the problem areas and diagnose the causes of the problems. Then steps are taken to rectify the

lacunae. It usually involves trimming the workforce,

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getting rid of unprofitable products, and such other useful ways of making the organisation more efficient.

Conditions for Turnaround Strategies Organisations often lose their grip over markets due to certain internal or external factors.

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There are certain conditions or indicators which point out that a turnaround is needed if the organisation has to survive. These negative inputs are (i) Continuous cash flow

problems (ii) Declining or negative profits (iii) Declining market share (iv) Over manning, low employee moral and high employee turnover (v) Under utilisation of capacity (vi) Rising input prices (vii) Raw material supply problems (viii) Uncompetitive products or services (ix) Increased Competition (x) Recession (xi) Strikes and lockouts (xii) Mismanagement etc. Action Plans for Turnaround For turnaround strategies to be successful action plans have to be charted out so as to yield immediate results focussing attention on certain key areas. Such short term action plans usually tackle the following issues. | Change the leader or take help of external experts | Focus attention on specific customer and products | Try and reduce prices of the products | Improve product quality | Replace existing products with new one | Rationalise the product line | Liquidate unutilised assets for generating cash | Better internal co-ordination and co-operation at all levels | Emphasis on marketing e.g. selling, advertising etc.

49 Liquidation Strategy A liquidation strategy involves the winding up of business by selling it off or closing down its operations. It is the least popular strategy and is adopted in exceptionally rare circumstances such as when an .organisation is unable to pay its creditors, and there is no way out for recovery.

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In case of liquidation bankruptcy, the liquidating firm agrees to distribute all assets to creditors.

Thus various instrumentals will be better off with the liquidated results than by continuing the firm at a loss. Divestment Strategy A divestment strategy calls for sale or liquidation

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of those parts or units of a business that no longer contribute to or fit the firm's distinctive competence. The

divestment generally takes place for the foJJowing reasons | A unfavourable market environment | Declining market share and negative sales growth e Unprofitable mergers | Technological changes which require the firm to invest more resources than it has capacity to invest. The divestment can be brought about in the following ways : (a) Outright sale to another company the nonviable units. (b) Leveraged Buy-out is

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when company's shareholders are bought out by the management and other investors using borrowed funds. (c) Spin-off, in this case the parent company creates a new company, then distributes shares to shareholders of the parent

company. Getting rid of unviable units may help a firm focus on its core business more closely and regain the lost ground quickly. The company can sell those assets whose value have declined due to neglect or ignorance, or sell of assets which are unutilised. Companies• can use the cash generated in emerging technologies and revitalise the organisation. It is always better to get out quickly from unviable projects. The disinvestment decision is very crucial; it should be taken after giving due considerations to the complex issues involved in it. References 1. Ansoff 2. Schall L. D. and Hatley C. D. 3. Thomas J. G. Introduction to Financial Management, McGraw Hill Book Co, New York, pg 682 Strategic Management-Practices and Cases (Harper & Row, New York 1988) pg 215 50 Unit 8 ppppp Strategic Analysis and Choice

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Business Definition : As discussed earlier business determines the scope of activities that can be undertaken by the firm. The purpose of business is to provide goods and services to the people so as to satisfy their needs.

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It tries to answer three basic questions : (i) who is being satisfied (ii) what is being satisfied and (iii) how

is the need being satisfied. The three dimensions along which a business is defined help chalk the strategies in a well directed systematic manner. GAP Analysis : The difference between what was intended and what has been achieved will be of immense importance to the management for formulating the next strategy. The study of the gap between desired level and achieved level

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compels managers to measure their performance and to audit their gap closing capabilities.

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The concepts of GAP Analysis and Business Definition would help

a strategist to frame out the different alternatives which are workable. The selection factor can be broadly divided into the objective and subjective factors. Objective factors are based on facts or data and analytical tools that facilitate a strategic choice. Subjective factors are based on behavioural issues i.e. personal judgement, consensus and non-numerical data, affecting strategic choice. Evaluation : The attempt here is to find out how each alternative fits with the firm's resources, environment and stakeholders' objectives and values.

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One or more strategies have to be chosen for implementation.

Adequate care has to be taken to see that the firm does not commit its resources on a strategy without considering environmental uncertainties, competitive reactions and risk factors in a broad way. Choosing a wrong strategy could prove to be disastrous. Hal ten and Halten has pointed out : "Management may miss opportunity by conservatively sticking with an old strategy too long. The opposite type of error is adopting a new strategy which a more thorough analysis could have proven unfeasible. Whether we are too conservative or too casual in our evaluation the sources of error lie in our own capabilities and in the uncertain future environment." 1 The different analytical techniques are used for considering these objective factors. Decision makers pick up a suitable strategy, keeping the organisational capabilities in mind. For the optimal choice in this regard, the following issues need to be resolved successfully as stated by K. Andrews. 51 i) Is the

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strategy chosen clearly identifiable? Is it adequately clear to those who implement it? ii) Does the strategy fully exploit the environmental opportunities? iii) Is it consistent with the resources of the firm and its competitive advantage and core

competence? iv) Does it balance acceptable minimum risk with maximum returns consistent with organisation capabilities and prospects? v) What about the pay back period? vi) Has it been thoroughly evaluated against the appropriate criteria such as past, present, and future economic, social, political and technological trends? vii) Is it in turie with the values and aspirations of the firm? Portfolio Analysis Portfolio analysis of a company considers a company as a portfolio or collection of different business with a view to identifying the status and potentials of the various business with regard to resource use and resource generation. Analytical tools have come to play a major role since the mid 1960's to prevent unconscious misallocation of capital. The objective is to help the company to formulate appropriate portfolio. strategy: Portfolio strategy pertains to

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the mix of business units and product lines that fit together in a systematic manner to provide

synergy. Diversified companies like to have a balanced mix of business divisions called Strategic Business Units (SBUs). Thus, portfolio analysis of business is an important tool in formulating the corporate strategy which is concerned with generation allocation of resources. Several models have been developed for evaluating the business portfolio. These include Boston Consulting Group (BCG) Matrix, GE Multifactor Portfolio Matrix, Shell's Directional Policy Matrix and Hofer's Product/Market Evaluation Matrix. BCG Portfolio Matrix The BCG Matrix compares various business

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in an organisation's portfolio on basis of relative market share and market growth rate.

The market growth rate is an indicator of the attractiveness of the industry and the relative market share is an indicator of the strength of the firm in that industry in relation to its competitors.

52 Fig 8.1 BCO Matrix Stars : Products in the first cell of the BCG Matrix are called stars. They are promising products because they have a relatively high market share and the market is growing fast. They have additional growth potential. They require large amounts of cash for supporting the significant and rapid growth. This may necessitate reinvestment of internal accruals. In a business like information technology sector or entertainment sector the market growth is very rapid. The. appropriate strategy for stars in such markets is to maintain and increase the market share through large amounts of investments. Cash Cows: As the market grows it matures and the growth rate becomes slow. Cash cows have a high share in such a slowly growing market. In such a market the stars become the cash cows. Being in the slow growth market cash cows do not require significant reinvestment. Cash cows generate lot of cash which may be redeployed in other business of the company like stars and question marks. The strategy often used in respect of cash cows, which do not have long term prospects is to harvest i.e. to increase the short term cash flow without considering the long term effects. In long term prospects some reinvestment may be required for harvesting for a long term period. Question marks : Products in this cell are in fast growing markets but their relative market shares are low.

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The question mark business is risky as there is already a leader in that business.

It may call for heavy investment and other capabilities

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in order to keep pace with the fast growing market.

It is aptly termed as question mark, because at every step the organisation confronts the critical question of whether to keep investing funds in the business to build up market share or get out.

53 Dogs Business with low market share in low growth industries are described as dogs. Dogs may produce low profit or loss.

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Usually dogs are harvested, divested or liquidated, if turnaround is not possible.

Dogs may be held for defensive reasons-to keep competitors out, sometimes for reasons of goodwill and sentimental factors. The main shortcoming of BCG Matrix is that it does not consider the case of those business which have average market share in markets of average growth. In some cases, business with low market share may not necessarily be question mark. There are companies who intentionally may go for very rich markets, e.g. cars like Mitsubishi Lancer will increase production after careful scrutiny, as it would like to maintain the exclusivity of its product. Again cash cow organisations may require substantial investments to retain the market e.g. Hindustan Lever Ltd. The matrix do not give any guideline as to which question mark to support or divest and which dog to salvage. Again data to position the products in the appropriate cells are not available always. Finally, the strength of companies and the attractiveness of market does not depend on growth and market share only. GE Multifactor Portfolio Matrix A 3 x 3 business portfolio matrix was developed by General Electric Company

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in the 1970s with the help of Mckinsey & Co (also called Mckinsey Screen or

Business Attractiveness Screen or GE B,usiness Screen). The industry attractiveness and business strength scores can be used to portray the strategic position of each business in a company having various business. The vertical axis (Fig. 2) indicates long term industry attractiveness and the horizontal axis shows the competitive strength. High attractiveness is associated with scores of 6.7 or greater on a 1 to 10 rating scale. 3.3 to 6.7 scores are for medium attractiveness and so on. Similarly, for competitive strength, scores 6.7 and above, 3.3 to 6.7 and lower than 3.3 is associated with strong, average and so on respectively.

54 Fig 8.2 GE Multifactor Portfolio Matrix The attractiveness strength matrix helps in assigning investment priorities to each of the company's business units. The darkly shaded cells at the upper left include the strong SBUs which the company should invest and grow. Next in priority comes the SBUs positioned in the three cells along the diagonal (in the diagram the white cells). The three cells below the diagonal represent SBUs that are low in overall attractiveness. The appropriate strategy for them would be harvesting or divesting. In exceptional cases where good turnaround potential exists it may be overhauled and repositioned using some type of turnaround approach. The circles in the figure indicate three SBUs of a company. The areas of the circles are proportional to the relative size of the industries in which these SBUs compete. The pie slices within the circles represent each SBU's market share. Circle A shows a SBU with 75% market share having a strong business strength and operating in a highly attractive industry. The prescription for business A is "grow and build." Circle B represents an SBU that has 50% market share but the industry is not very attractive. SBUs in industries where the company has a small market share and not much business strength is represented by Circle C. Thus the prescription for B will be to maintain B and about C some hard decisions like divesting may have to be taken. The GE Multifactor matrix has the following advantages over BCG Matrix : (i) It includes more information about business. (ii) Multiple factors are taken into account

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in determining where a business fits on the two dimensions. (iii) The three categories of industry attractiveness and business strength

gives more distinctions, especially the average category.

55 Hofer's Product-market Evolution Matrix Hofer and Schendel has based its matrix on the basis of the different stages of the product or market development

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and the competitive position of different business in a company's corporate portfolio.

It helps, to resolve the problem of identifying companies, particularly new business,

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that are about to accelerate their growth. The product-market evolution matrix also called life-cycle portfolio matrix

in which business is

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plotted according to firm's business strength or competitive position and the industry's stage in the product life cycle. It is similar to GE Screen, excepting here second dimension uses the product- market evolution stage instead of the industry attractiveness.

Fig 8.3 Product-market Evolution Matrix Fig. 3 shows that business A enjoys good prospects of growth and should be developed. Business G is a case for divestment. Business E

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is a well established one, but moving towards maturity. Business F is slowly losing competitive position but is

moving towards becoming a cash cow. Business D is a case for development. Though C is in the growth stage the company has to be cautious about investing more. Business B is also in growth area and is fit for further investment and development.

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Directional Policy Matrix (DPM) DPM was developed by Shell Chemicals, U. K. I uses two dimensions—"business sector prospects" and "company's competitive abilities". Business sector prospects are

rated as unattractive, average or attractive taking into consideration several factors such as market supply, market quality, market growth. A company's competitive capabilities are divided into three degrees as strong, average and weak. The 3 x 3 matrix when plotted forms the basis for recommending different strategies. Fig 8.4 Directional Policy Matrix In the figure 8.4 each quadrant shows the type of strategy that may be adopted. 1. Disinvest : Both business prospects and capabilities are weak here. If there is no future prospect, these business should be disinvested and the resources so released can be put to better prospects. 2 & 4. Phased withdrawal : When an organisation is in the weak to average prospects in a low growth not very attractive business with not much growth expected in future, the organisation should phase out the business gradually, and release the cash generated for better prospective business. 3. Double or Quit : In this situation the business prospects are attractive but the company's capabilities are weak. Here the company may invest more and exploit the market prospects, but if that is not possible it would be better for company to quit the business. 57 4. Custodial : In this case both business prospects and capabilities are average. Here the company can bear with the situation with a little bit investment or otherwise quit the scene and focus on more attractive business. 5. Try Harder : SBUs here have average business capabilities and attractive prospects: So there is a scope for doing better is—more resources are added to strengthen the capabilities. This would entuse them to try harder to exploit the existing business prospects. 6. Cash Generation : More SBUs with strong capabilities may continue, atleast for generating good cash flows and profit. But further investments are not advisable given that the business prospects are unattractive. 8. Growth : Additional infusion of funds will be required for the SBUs with strong capabilities although the business prospects are average. The SBUs will be able to gain more market share through additional capacity, R & D, innovations etc 9. Market Leadership : In this situation business prospects are attractive and SBUs have strong capabilities, the resource allocations has to be very good. Top priority has to be given to hold the market leadership through product innovations, R & D and additional capacity. Strategic Position and Action Evaluation (SPAЕ) This model developed by Rowe et al is based on a company's strategic position in comparison to the

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strategic position of the industry. The company's strategic position is determined on the basis of financial strength (ROI, leverage, liquidity etc.) and competitive advantage (market share, product quality etc). The industry's strategic position is based on industry strength (growth and profit potential, etc)

and environmental stability (technological changes, competitive pressures, etc). Scores are awarded for each factor and then diagrammed.

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Four strategic postures-aggressive, defensive, conservative, and competitive are recommended based on

the simple rating system for the four dimensions.

58 Fig 8.5 : Spae Diagram and Recommended Strategies [Source : Adapted from A. J. Rowe, R. O. Mason and K Dickel : Strategic Management and Business Policy-Methological Approach (Reading Mass : Addison Wesley, 1982 pg 164] Assessment

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of Portfolio Analysis Portfolio analysis helps a multi product, multi business firm to commit its scarce resources

to best advantage. It helps to better

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understanding of business leading to better strategic decisions and availability of an interesting vocabulary and graphic representations for communication.

However, there are drawbacks of portfolio analysis. Measuring of

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parameters, like the actual growth rate of business pose problems. There are also organisational and motivational problems arising due to the adoption of recommendations emerging out of portfolio analysis.

Portfolio models can be difficult, time consuming and costly to implement. Business Level Strategic Analysis Business organisations are part of an industry, and almost all organisations face competition in their field of operation. Thus

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strategic choice at the business unit level has to be made 59 taking the industry environment and the

competitors into account. The organisation also

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has to carry out-a SWOT analysis to find out its own standing, on relative terms, in the industry.

Industry Analysis This is required to determine the attractiveness of the

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industry and to understand the structure and dynamics of the industry with a view to finding out the major strategic alternatives that

exists before the firm. Michael E. Porter has

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proposed that business-level strategies are the result of five competitive forces in the company's environment such as potential new entrants, bargaining power of buyers, bargaining power of suppliers, threat of substitute products and rivalry among competitors.

Fig 8.6 : Porter's five forces model
of competition Using the

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five forces model of industry competition, a firm can analyse its critical strengths and weaknesses, its position

within the industry, the areas where strategic changes may yield the maximum profits, and the significant opportunities and threats. 3 In the context of strategic choice, the purpose of industry analysis is to determine an industry's attractiveness. An attractive industry is that where there is high potential for earning profits exist. Unattractive industry has few opportunities to earn profit. The interrelationship among the five forces give each industry its own particular competitive environment. Strategic Group Analysis Business that engage in direct and intense competition amongst one another are considered to be

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strategic group. Many firms believe that they can win by performing the same activities more effectively than their competitors, but competitors quickly copy

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60 and diminish their advantage.

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A firm can claim that it has a strategy when it performs different activities from rivals or perform similar activities in

a different way and they in the long run cannot be copied by the rivals easily. Strategic group analysis thus helps a firm to develop competitive strategies within the context of the industry in which it operates. Competitor Analysis Competitor analysis is necessary for formulating right strategies and determining• the right positioning for the firm in the industry. According to Porter, the purpose of conducting competitor analysis are the following : l Determine

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each competitors's probable reaction to the industry and environmental changes; l Anticipate the response of each competitor to the likely strategic moves by the other firm; and l Develop a profile of the nature and-success of the possible strategic changes each competitor might undertake.

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A competitor response profile can be built on the basis of

competitor analysis. While analysing competitors

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a firm seeks to understand : I What drives the competitor, as shown by its future objectives I What the competitor is doing and can do, as is revealed by its current strategy I What the competitor believes about itself, as shown by its assumptions I What the competitor's capabilities are, as shown by its

capabilities Competitor analysis is an important analytical tool employed by firms, specially in

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oligopolistic industries where there are few powerful competitors and each firm wants to know more about the strategic moves of

other firms before exercising a strategic choice.

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SWOT Analysis Swot Analysis considers a firm's strengths, weaknesses, opportunities and threats. Using SWOT Analysis a firm chooses strategies that support its mission and (i) exploit its opportunities and strengths (ii) avoid its weaknesses and (

iii) neutralises its threats.

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Subjective Factors in Strategic Choice Strategic decision making is a complex affair. No one set of factors can be sufficient 61

Risk Averse Managers I Prefer to go by past strategies I Fairly conservative, safe strategies assuming reasonable, highly probable returns I Limited strategic choices before them I Generally not able to cope with complex issues as they never go beyond a well defined criteria Risk Prone Managers I Resort to novel, innovative, experimental ways of doing things I Highly aggressive, proactive and lean towards opportunistic strategies with higher pay off I Wide strategic choices before them I Able to cope with complex problems, take rapid, impulsive decisions for exercising a

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strategic choice. Subjective factors are essentially intuitive and descriptive in nature.

But it plays an important role alongside quantitative decision making tools for strategic choice. i) Commitment of Past Strategies Organisations while making strategic choice tend

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to start from where the organisation is, and what they had adopted to reach where it

is. It is rare, excepting some special cases that this firm breaks away from its past strategies and follow an absolutely new course.

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In this way, the strategic choice is more likely to be for those alternatives which arise out of past

strategies. Moreover, a firm is committed in terms of resources and personnel as per past strategies. Only under threat from the environment or under some pressing needs a firm moves away from existing position. ii) Attitudes Towards Risk Attitudes towards risk has a significant bearing on strategic choice. A risk averse firm may stick to the past trends and strategies. Where attitudes favour risk the range of strategic choice expands. In volatile industries the managers absorb greater amount of risk than stable industries. The following table provides the strategists' responses based on their risk aversion and tolerance (Taylor and Dunnette). Fig 8.7 : Risk Aversion and Tolerance : Research Findings Degree of Firm's External Dependence A firm which is highly dependent on one or more environmental elements, then it has 62 devise its strategic alternatives and choices considering and accommodating that dependence. For example, firms dependent- on large Government contracts are more inclined to take decisions depending upon what the guidelines are from the Government. Again if we consider the case of Banks, the opening of a branch at a particular area will depend upon Government sanction. Thus, the nature of a firm's decision making process will be dependent on certain external factors. Internal Political Consideration Strategic choice on many occasions is influenced by internal politics of a firm. Dominant groups in a firm may exert lot of pressure when a particular choice affects their functioning. Recently, State Bank of India employees under the union have gone on strike as many of their employees were transferred. This bank has virtually stopped functioning. Again, a strong CEO can always cleanse the system as Hindustan Lever did in the case of CMC at an amazing speed. So internal politics has a significant role in strategic choice. Time Constraint The timing of a decision is very important. Prompt decisions in the case of emerging opportunities will fetch better results, as you enter the arena before the competitors can set their thoughts on it. When decisions get delayed the field remains wide open. Again time horizon of the decision needs to be looked into. Generally, people in the organisation support short time horizon. The time frame of the decision i.e. short term or long term is very important.

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Short run strategic choice may be seen as an intermediate arrangement before the organisation moves on to a more permanent, long run strategy.

Competitive Reactions Competitor's actions (and reactions) are also to be considered in strategic choice. A particular strategy, it is expected, would elicit an immediate reaction from the competitors. A massive advertising campaign is likely to be retaliated with equal force. A price reduction is likely to trigger a discount war. A firm may go for an aggressive strategic choice, but it must take into consideration that the competitor will retaliate and invade the field with all its might. So the firm should weight this along with the timing of the action before embarking on such a strategy. Corporate Culture An organisational philosophy establishes the values, beliefs and guidelines for the 63 manner in which the organisation is going to conduct its business. The corporate culture is outcome of this philosophy and this is held by the members of the organisation which makes it unique from other organisations. It is very difficult to change the corporate culture. If a company is used to slow growth and a conservative management style it cannot be turned into an aggressive player off hand. Members feel very uncomfortable and reluctant to shift gears suddenly and follow new style. When circumstances demand a change in management style and corporate culture, everything has to be planned in a systematic way. The cultural dimension needs to be taken into account while formulating and implementing the strategy. The subjective and objective factors discussed above, both have a collective impact on strategic choice. The purpose of strategic choice is to consider all possible strategic alternatives, narrowing the choice down to a few feasible alternatives, and then to choose an optimal strategy. But the environmental factors may change and the strategic choice may become irrelevant. It is necessary, therefore, to frame contingency strategies. Contingency Strategies If the conditions and assumptions on the basis of which the strategic choices are made change drastically, the chosen

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strategies may have to be discarded. But changes do not occur in a

systematic manner. They surface suddenly putting all the plans in jeopardy. To take care of such eventualities strategists keep contingency strategies ready.

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The contingencies could come in the form of labour strike, change in Govt. policy, abnormal monsoon, fall in Central Govt. etc. Once such scenarios are identified, alternative strategies for the firm

are framed. Firms using this kind of strategy identify trigger points to give alarm to the

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management that a contingency strategy should be pressed into service.

Contingency strategies have received a fair amount of attention from policy researchers as they are of immense value to strategists who have to deal with transient phenomenon like business environment. Questions Objectives of Business Policy Knowledge Skills Attitude. 1. Why is Strategic Management a process? 2. Who performs the tasks of strategy? 3. What are the benefits of 'Thinking and Managing Strategically'? 4. Explain the three big strategic questions : 64 (a)

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Where are we now? (b) Where do we want to go? (c) How do we get there? 5.

What is Strategy? 6. What is the strategy in management's 'game plan'? 7. What is a Business Model? 8. What is the difference between a Strategy and Business Model? 9. Why are strategies needed? 10. What are the five tasks of strategic management? 11. What is the difference between Missions and Strategic Visions? 12. Why is a Strategic Vision important? 13. What are the types of objectives required in Strategic Vision? 14. What is 'Crafting a Strategy'? 15. 'A Company's strategy is partly planned and partly reactive'. Explain the statement. 16. Explain the how's that define a firm's strategy : (a)

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How to grow the business? (b) How to please customers? (c) How to outcompete rivals? (d) How to respond to changing market conditions? (e) How to manage each functional piece of the business

and develop needed organizational capabilities? (f) How to achieve strategic and financial objectives? 17. What are the core elements of McDonald's strategy? 18. 'Crafting strategy is an exercise in entrepreneurship'. Explain the statement. 19. Why do strategies evolve? Importance of Business Policy 1. What is a strategic plan?

65 2. What does strategy implementation and execution include? 3. Why is monitoring, evaluating and taking corrective actions necessary? 4. What are the characteristics of the strategic management process? 5. Who performs the five strategic management tasks? 6. What are the benefits of 'Strategic Thinking' and a 'Strategic Approach' to managing? 7. What are the three strategy making tasks? 8. What are the three elements of a strategic vision? 9. What are the characteristics of a mission statement? 10. What is the difference between Board and Narrow scope? 11. What are the characteristics of strategic vision? 12. What are the entrepreneurial challenges in forming a strategic vision? 13. What are the managerial values of a well-conceived strategic vision and mission? 14. What is the purpose of objective setting? 15. What are the strategic management principles? 16. What are the strategic or financial objectives? References 1. K. J. Halten and Strategic Management, Analysis and Action, Prentice Hall, New M. L. Halten Jersey, 1987 2. K. R. Andrews The Concept of Corporate Strategy, Irwin Homewood-III 1973 3. M. E. Portor Competitive Strategy-Techniques for Analysing Industries and Competitors, Free Press, New York p 4. 4. Ibid, Page 4

66 Unit 9 ppppp Strategy Implementation Development of a dynamic and efficient strategy is not enough in itself for organisation to attain its mission. To keep the strategy operative and useful, the strategist should see to it that it is properly implemented inside and outside the organisation. Successful implementation of strategy requires an effective organisation. Strategy implementation involves the communication of strategic objectives to various units, departments and sections. People working in the organisation should be aware about how their actions interrelate with the actions of others to achieve the firm's objective. A sound organisation structure, the services of talented- and capable leaders are required to translate the vision into reality. Strategy is dependent on many variables and there are countless interrelated change factors that could upset the calculations any time. Complexities inherent in organisational change and strategy implementation often makes all the efforts fail. To find a solution to this issue

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The McKinsey Company, a well known management consultancy firm in USA was asked to find a solution to this

problem in 1970. Peters and Waterman, the researchers of the company found after examining some of the best run companies of USA, that strategy and structure were not the only dimensions of the problem. A strategy implementation depends on the 7-s framework when it fits into or supports the strategy. The 7-s are detailed below. I

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Strategy : A set of decisions and actions aimed at gaining a sustainable competitive advantage. I Structure : The organisation chart and associated information that shows who reports to whom, and how tasks are both divided and integrated. I Systems : The flow of activities involved in the daily operation of a business, including its core processes and its support systems. I Style : How managers collectively spend their time and attention and how they use symbolic behaviour. How management acts is more important than what management says. I Staff : How companies develop employees and shape basic values. I Shared values : Commonly held beliefs, mindset and assumptions that shape how an organisation behaves-its corporate culture. I Skills : An

organisation's dominant capabilities and competencies.

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Fig 9.1 : McKinsey's 7-s Framework The 7s framework highlight the interrelationship of factors and their importance for successful implementation

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of strategy. The principle job of a strategist is then to have a good fit among the seven S's by making necessary adjustments from time to time.

Activating Strategy A well designed strategy requires the skill of the leader to make it

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approved and communicated. The strategic leader must defend the strategy from every angle

and secure wholehearted support for the strategy. To be

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on track he may list out priorities, programme implementation process, budgets etc, so that

he does not miss out. The regulatory mechanism that govern business activities has to be considered before giving a concrete shape to the

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strategy. Then the action plans could be formulated. There are functional level strategies undertaken at the departmental level and usually deals with operational aspects.

In the light of these, the top management, the sub unit and department head should be employed to reinforce the strategic choice. Once the action plans are ready, the strategist must focus on the allocation of resources over the entire organisation. Resource Allocation No strategy can be effectively implemented unless there is an adequate resource allocation among the different units/departments of an undertaking. It requires a careful study at all levels. The allocation

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can follow a top-down or a bottom-up approach. In

the former case

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the Board of Directors, Managing Director and other members of the top management decides the requirements of each sub unit and allocate resources accordingly. The bottom-up approach

involves the people from the operational level, who give their requirements and allocations required and resources are distributed accordingly. A mix of the two methods may also be followed. Strategists need to prioritise everything and decide budgetary allocations in the initial stages. Each department will fight for taking a maximum share of the scarce resources. Again there could be external factors such as Governmental regulations, shareholders' preference for higher returns, credit restrictions of banks and financial institutions. So the budgetary allocations have to be done on close co-operation and participation at the departmental levels. But if a strategist defines a strategy and does not allocate resources (financial, physical, human, technological), the strategy will not be successful which will cause frustration among functional executives. Strategy-Structure Relationship A suitable organisation structure is essential for implementing strategies and achieve desired goals. Structure may be defined as the design of an organisation by which the organisation is administered. The design includes lines of authority and communication between the different administrative offices and officers and secondly, the information and data that flow through these lines of communication and authority. Such lines and date are essential to ensure effective co-ordination, appraisal and planning, which are necessary in implementing the basic goals and policies and in knitting together the total resources of the enterprise

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To be effective, the basic structure is governed by a set of rules and regulations, reward-punishment systems, information network, control procedures etc.

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Structure is a means to an end and not an end in itself. It is there to facilitate smooth translation of organisational plans, strategies and policies into concrete action.

Chandler has placed emphasis on the organisational structure and its inter-relationship with strategy. Strategy precedes the structure, therefore structure should be in conformity with strategic objectives.

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While evaluating whether an organisation is properly structured the following points need careful analysis. 1. Is the structure compatible with the corporate profile and the corporate strategy. 2. At the corporate level, is the structure compatible with the outputs of the firm's business units. 69 3. Are there too few or too many hierarchical levels at either the corporate or business unit level of analysis. 4. Does the structure promote co-ordination among its parts. 5. Does the structure allow for appropriate centralisation or decentralisation of authority. 6. Does the structure permit the appropriate grouping of activities. It

goes without saying that a strategy would rarely succeed without an adequate organisational design. Chandler' noted that when a firm adopted a strategy of diversification, it had to change its design. Allen³ observes that a variety of organisational problems stem from the management's inability and unwillingness to adopt a proper organisational design after strategic changes have been introduced. As different strategies call for different structures, it is necessary to deal with different types of available structure.

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The Functional Structure In functional structure, activities are grouped together by common function.

Similar and related occupational specialities are grouped together like, Finance, Marketing, Production etc.

Departmentalisation by function can be used in all types of organisations, only the functions change to reflect the organisation's objectives and activities, for example, a hotel might have departments like front office, house keeping food and beverages etc. Functional departmentalisation may be carried out at lower levels also, as long as there exists a sound base for further differentiation. Activities in the marketing department may be further classified into three groups, namely, advertising, market research, sales etc. Advantages 1. Clarity : Everybody understand his-own task and knows where he belongs in the organisation.

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Functional structures bring order and clarity to organisational activities, 2. Economies of scale :

It seeks to achieve economies of scale by placing people with common skills and orientations into common units. 3. Specialisation It helps in obtaining efficiencies by putting specialists together. 4. Co-ordination : Co-ordination

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within functions is smooth. Centralised decision- making ensures unity of performance. 5. In-depth skill development : Employees are exposed to a range of activities within their department which allow them to

develop functional skills in every activity of

70 the department. 6. Delegation : It facilitates delegation of authority and thus reduces the burden of the CEO.

Disadvantages 1. Effort focus : Too much emphasis on specialisation narrows the outlook of the people. It may also

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lead to narrow, dull, boring jobs in the organisation• with routine

technology. 2. Sub unit conflicts : At times it may create conflicts among the departments and if a job fails there may be blame game between the different departments. 3.

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Poor decision making : No one except the man at the top sees the entire picture of business. Consequently, decisions are easily misunderstood and

not properly executed. 4. Managerial vacuum : Working in the same

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functional area makes a man unfit for top management where broad perspective on the firm's activities

is required. Fig 9.2 : Functional Structure Product Departmentalisation Product or commodity departmentation is made on the basis of the products produced by the organisation. Product departmentalisation is more useful when product expansion and diversification and the engineering, manufacturing and marketing characteristics of products are of primary concern. For example, in a petroleum product company, the three major products are fuels, lubricants and waxes and chemicals all are placed under the authority of a vice president who is a specialist, and responsible for everything having to do with the product line.

71 Fig 9.3 : Product Division Organisation Advantages 1. It takes due care of each product line. 2. It fixes increased accountability for product performance. 3.

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Procedures and Systems can be standardised, leading to better integration across different

specialities. 4. It makes evaluation and comparison of performance of different product divisions easier.

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Unprofitable lines are not allowed to be carried on the back of the profitable ones. 5.

Unprofitable lines can be discarded, being autonomous units, it will have minimal effect on the entire organisation. 6. Divisional form serves as an excellent opportunity for the managers for the training for general management job. Disadvantages 1. Divisionalisation creates separate facilities and functional personnel leading to duplication of effort. 2. In case of insufficient demand for product, plant will remain unutilised. 3. Co-operation among division is difficult. 72 4. Co-ordination by headquarters of different divisions is difficult. Process Departmentalisation This type of divisionalisation suits manufacturing firms. Various manufacturing processes are taken as basis for dividing the activities into departments. An example of the textile company is given 'in the figure below. Fig 9.4 : Process Division Organisation Advantages 1. It offers a basis for homogenous categorising of activities. 2. It is very helpful for equipments to be used requiring special operating skill. 3. The benefits of specialisation helps the organisation. Disadvantages 1. Co-ordination of various functions and products becomes difficult. 2. At times, it creates conflicts between different managers cutting across their levels. Geographical Divisionalisation Geography or territory is used as yet another basis to departmentalise activities in organisations.

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As organisations grow, they divide their activities among branches, regional offices or other facilities from

their central place of operation. Strategic Business Units (SBUs) The structure of the SBUs is an extension of the divisional structure. They operate as separate autonomous units. In extreme case the Central Office do not even interfere excepting the period reports are sent to headquarters. Each unit has its own strategies based on its capabilities. 73 Fig 9.5 : Strategic Business Unit Structure Advantages 1. It helps in achieving the benefits of local operations and promotes expansion of business in different locations. 2. Improves co-ordination

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between divisions with similar strategic concerns and product market environments. 3.

Facilitates

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in depth business planning at the corporate and business levels. 4. Distinct business units

become accountable regarding profits and other aspects. 5. Helps control large, diverse

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business organisations. Disadvantages 1. Places another layer of management between the divisions and the corporate management. 2.

Integrating various regional and local operations becomes difficult. 3. Getting the right type of personnel to head the divisions is difficult. Project Organisation Project structures usually have a limited life and it is similar to product organisations, although the later is for long life. In a project structure the best available talents are pooled together to achieve a complex and specific task. The organisation can continue with regular activities without interruption, while put its concentrated efforts to a new project. A project manager becomes responsible for a project.

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The project manager is a unifying agent and a focal point for the project activities. The project involves team members from different functional areas or from outside.

Membership is temporary, as they move away from the project to another one as soon as the project underway is completed.

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The project organisation has no fixed boundaries. It is a structure that facilitates co-ordination and integration of

different activities of the project. Fig 9.6 : Project Form of Organisation 67 Advantages 1. Project management utilises maximum amount of available specialised knowledge.

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Knowledge and experience can be transferred from one project to another. 2.

Organisational flexibility is promoted through project structure. Specialisation required to complete a task is brought together as long as necessary. 3. Project people has functional base where they can return after completion of the project. Disadvantages 1.

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Unity of command is absent. The relationship between functional managers leads to ambiguity and conflict. 2. The project structure creates insecurity and fear of unemployment as the project nears completion. 3.

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Most projects are not self-sufficient. They require support from various quarters.

Functional co-operation may be difficult to obtain. Top management also may look into the project with earnestness, but their lack of awareness can easily jeopardise the project's success.

75 Matrix Organisation Structure The matrix organisation structure was proposed by Dairs and Lawrence for Aero Space Programme of the United States. In this structure attempts were made to combine advantages of both functional and product departmentalisation to achieve the organisational goals. In other words, this dual structure simultaneously organises part of organisation along product lines and part along functional lines to gain advantage of both. In this type of a structure each department reports simultaneously to both functional and product manager. Both the managers have equal authority. Fig 9.7 : Matrix Organisation Structure 68 Advantages Efficiency : An efficient utilisation of resources, specially manpower can be done. Resources can be freely allocated across different products. Flexibility :

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The direct and constant touch between the specialists can make for better communication and flexibility. Information permeates

at the levels where decisions are taken thus ensuring quick decision making process. Technical excellence : Constant touch with specialists and upgradation of knowledge facilitate high quality and innovative solutions to technical problems. Motivation and development : This structure helps employees to 'develop and therefore there is motivation for the employees to work for achieving the corporate goal.

76 Disadvantages Accountability : Dual accountability creates confusion amongst the individual team members. Co-ordination : High level of vertical and horizontal co-ordination is required. Communication : Communication problems may arise due to shared authority. Different types of organisation structure brings out a question. Why are various organisations structured differently? What are the factors that determine the structure? There are three strategy dimensions-innovation, cost minimisation, imitation. Innovation strategy : The strategy which introduce new ideas, products and services. Cost minimisation strategy. This strategy emphasise on control of costs and thereby reduction of price and avoidance of unnecessary marketing or innovation expenses. Imitation strategy : This strategy seeks to tread into proven territory to move into new products or markets. The variation of structural options in relation to strategic dimensions has been discussed by Robins5. He has matched the two as follows : Strategy Structural Options Innovation Organic : A loose structure, low levels of specialisation, formalisation and decentralisation. Cost minimisation Mechanistic : Tight control, extensive work specialisation, high levels of formalisation and centralisation . Imitation Mechanistic and Organic : Mix of loose with tight properties, tight controls over current activities and looser controls for new undertakings. Fig 9.8 : The Strategy-Structure Matches Strategies become useless if it is not implemented. Strategic implementation includes the various management activities that are necessary to put the strategy in motion, institute strategic controls that monitor progress and finally achieve organisational goals. Surely, no single structure is appropriate for implementing all strategies. Each firm has to choose a suitable structure. The choice has to be made very carefully as switching from one structure to other is a costly and time consuming exercise. Implementing and Executing Strategy 1. Link Budgets to Strategy. 2. How Policies and Procedures aid Strategy Implementation? 77 3. Discuss about creating Strategy-Supportive Policies and Procedures. 4. Explain how to institute Best Practices and Continuous Improvement. 5. Explain characteristics of Benchmarking. 6. What is Total Quality Management? 7. Enumerate Goals of Quality Improvement Programs. 8. What are the Components of Popular TQM Approaches? 9. How to implement a Philosophy of Continuous Improvement. 10. Enumerate characteristics of TQM/Continuous Improvement Programs. 11. State TQM vs. Process Reengineering. 12. How to use Best Practice Programs as an Implementation Tool? 13. Explain Installing Support Systems. 14. What areas should Information Systems address? 15. How to exercise Adequate Control over Empowered Employees? 16. Discuss Gaining Commitment as Components of an Effective Reward System. (a) Monetary Incentives (b) Non-Mnetary Incentives 17. State Approaches which motivate people to execute the Strategy well. 18. State Balancing Positive vs. Negative Rewards. 19. Link the Reward System to Performance Outcomes. 20. Discuss Key Considerations in designing Reward Systems. 21. Explain Guidelines for designing an Effective Compensation System. References 1. Chandler, J and Strategy and Structure, The MB Press, Cambridge, Massachusetts, Alfred. D. 1962 p 16 2. Ibid 3. Allen, Stephen "Organisational choice and General Management : Influence Network in Divisionalised Companies" in the Academy of Management Journal Vol 21, No 3, 1978, pp 341-365 4. Stenley M Dairs Matrix, Addison Weley, Reading, Massachusetts 1977 and Pone! R Lawrence 5. Stephen R. Robbins Essentials of Organisational Behaviour, Prentice Hall of India Pvt. Ltd ., New Delhi 1997, pp 199-200.

78 Unit 10 ppppp Introduction and Marketing Strategy Functional plans and policies Once the corporate level and business unit strategies are developed, the functional area strategies have to be framed. Direction has to be provided to the functional managers regarding the plans to be adopted by them. Such strategies provide more specifics, about how key functional areas such as marketing, finance, operations, personnel etc, are to be managed in the short term. It should be noted by all concerned that all these functions are interrelated. Purpose of Functional Strategies W. F. Glueck suggested five reasons why functional plans and policies are needed. l

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The strategic decisions are smoothly implemented by all departments of an organisation. l The various parts are uniformly regulated and bound by a set of policies. l The functional heads decide things quickly, using their discretion within the framework laid down by functional plans and policies.

l The work at various levels is co-ordinated smoothly without any friction. Mechanism of Policy Making Business policy states about what is to be achieved and how it is to be achieved, i.e. it gives a direction for the actions to achieve the goals of

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the organisation. The process of development of functional plans and policies may

be formal or informal. When policies are written, it is compiled into a Policy Manual for all the employees to refer to it for proper implementation of the same. A policy manual becomes readily available for interpretation and guidance and it reduces misinterpretation, misunderstanding and conflict. However not all organisations, particularly smaller organisations with simpler business may operate with a few

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policies most of which could be informal and understood rather than formally written down.

In an organisation plans and policies for the functional areas are needed.

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Specificity in functional strategies helps strategy implementation in several ways.

It specifies what each department should do and helps the top management to gel them together for accomplishing the grand strategy.

79 Marketing Plans and Policies Marketing planning involves the process of deciding on marketing strategies that will help the organisations attain the overall strategic objective. A marketing strategy is the marketing logic whereby the organisation hopes to achieve its marketing objectives. Marketing offers goods and services. Its main objective is to create a customer. The plans and policies are

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formulated and implemented on the basis of p's of the marketing mix i.e. product, pricing, place and promotion.

Product Policies A product policy tends to achieve one or more objectives, of which product management policies is very important. The product policies are largely designed to facilitate the desired growth considering the environmental aspects for a growth strategy in the marketing functional area. Ansoff has presented a 2 x 2 matrix which is given below. Fig 10.1 Ansoff's Product Market Extension Grid The Ansoff matrix presents quite conservative product policy A1 to radical policy B2. The market penetration strategy tries to achieve growth through existing products in existing market. Market development strategy plans to develop new markets with the existing products. Product development strategy would achieve growth through new but related products in the existing market. Thus Ansoff model plans for intensified marketing with existing products. Pricing Price is the monetary value that the customer is willing to exchange for the goods and services offered by the firm.

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It is important to the seller as it represents the returns of his efforts.

Several factors such as discount, credit terms, mode of payment etc. affect pricing plans and policies. Market segmentation plays an important role in pricing decisions. Place The goods and services are to be delivered to the market from where the customers (1) Present (A) Present Penetrate current market for high rate of usage. (B) New Develop market and usage for present product. (2) New Develop approved or new products to serve present market. Diversify into new products to service new markets.

80 would be able to purchase for satisfying their needs and desires. So

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distribution plans and policies address themselves to issues such as the channels to be used.

Market-oriented strategies specially in a competitive environment will to a great extent depend on the effectiveness and efficiency of the distribution system. Promotion According to Philip Kotler 3 –A company's total marketing communications mix-also called its promotional mix-consists of the specific blend of advertising, sales promotion, public relations, personal selling and direct-marketing tools that the company uses to pursue its advertising and marketing objectives. Promotional plans and policies have to consider the basic question of what promotional mix to adopt so that promotional activities can be used to implement strategies. The following chart in a nutshell presents the various steps that are involved in the marketing planning process. 1. Environmental Scanning I Spotting the business opportunities and threats through analysis of the environment. I Finding out the business opportunities for the existing units. I Analysing the acceptability of the product. I Customer sensing. I Analysing the market and the competition. 2. Internal Scanning I Analysing the capabilities of the firm to market the product and also analysing the limitations. I Analysing the core competencies of the firm. 3. Setting the Marketing Objectives of the Business I Deciding on which business opportunities should be pursued depending upon the capabilities and limitations of the firm. I Assessing the current performance in the key areas. I Setting measurable and explicit goals in the key areas like sales volume, profits, market share, service, marketing innovations etc. I Setting clear cut, measurable and explicit goals for each product/market. 4. Developing the Marketing Strategy

81 I Studying the customer, his characteristics, his profile, his buying behaviour and buying motives. I Segmentation of the market considering certain characteristics of the buyers. I Evaluating the different segments and selecting the appropriate segments as the target market. I Deciding on the marketing mix of four P's. I Deciding on the product mix. I Providing for impact of the uncontrollable variables. e Deciding on the branding of the product. I Deciding on the packaging of the product. 5. Formulating the Detailed Marketing Plans and Programmes involves the following: I Sales Forecast and Sales Budget. I Physical distribution i.e. channel plan. I Sales force plan. I Sales organisation plan. I Advertising and sales promotion plan. Building Resource Capabilities and Organizing the Work Effort : 1. Discuss how to implement and execute Strategy. 2. Why implementing and executing Strategy is a Tough Management Job? 3. Explain implementing a Newly Chosen Strategy requires Adept Leadership. 4. Discuss the characteristics of the Strategy Implementation Process. 5. What are the Goals of the Strategy Implementing-Executing Process? 6. Who are the Strategy Implementers? 7. Narrate the ways to lead the Implementation and Execution Process. 8. Narrate the factors shaping how Managers lead the Implementation Process. 9. Discuss the following which involves in building a capable organization: (a) Management Team

82 (b) Selecting the Management Team : Key Considerations (c) Recruiting and Retaining Talented Employees : Implementation Issues (d) Key Human Resource Practices to attract and retain Talented Employees (e) Key Organization-Building Objectives (f) Power of Unique Competencies and Capabilities strategically-relevant Core or Distinctive Competencies. 10. Discuss the following Strategic Management Principle : (a) Key Traits to building Core Competencies (b) Developing Competitively Valuable Competencies (c) Building Competencies : Keys to Success (d) The Most Valuable Organizational Capabilities (e) Process of building Organizational Capabilities (f) Updating Competencies and Capabilities as Conditions Change (g) Strategic role of Employee Training (h) Matching Organization Structure to Strategy 11. Identify Strategy-Critical Activities. 12. Explain Potential Advantages of Outsourcing Non-Critical Activities. 13. What do you understand by Appeal of Outsourcing? 14. What do you understand by Potential Advantages of Partering? 15. Make Strategy-Critical Activities the Main Building Blocks. 16. Narrate Guard against Functional Designs that fragment activities. (a) Fragmented Strategy-Critical Activities. in a Functional Structure. 17. Determine how much Authority to delegate to whom. 18. What are the advantages of Decentralized Decision-Making and Empowerment? 19. Explain the Principles underlying the Global Trend towards Decentralization and Empowerment. 20. Narrate Reporting Relationships and Cross-Unit Coordination.

83 21. Narrate Options to supplement the Basic Organization Structure. 22. Assign Responsibility for Collaboration with Outsiders. 23. What are the Roles of Relationship Managers with Strategic 'Partners'? 24. Explain Perspectives on Organizing. 25. Describe Organizational Structures of the Future : Overall Themes. 26. Describe Organizational Structures of the Future : Requirements for Success. 27. Describe Characteristics of Organizations of the Future. References 1. W. F. Glueck and Business Policy and Strategic Management McGraw L. R. Jauch Hill New York 4th edition p332 (1982) 2. H. I. Ansoff "A Model for Diversification", In Management Science, July 1958, p394 3. Philip Kotler and Principles of Marketing, Prentice Hall of India Pvt. Ltd., Gary Armstrong New Delhi, 2004, 10th edition p-467.

84 Unit 11 ppppp Operational Strategy Operational Strategy A

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systematic direction, evaluation and control of the entire range of processes that transforms inputs into finished goods or services

is the objective of operations strategies. The concept of 'Operations' instead of 'Production' includes both manufacturing as well as service organisations.

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In order to carry out operations strategy successfully, it is necessary to design and implement well conceived operating systems. The primary operating systems that are used in operations management are discussed below.

Fig 10.2 : Designing Operating Systems Product-Service Mix The firm has to first decide what they should produce and what quantity they should produce. The following points have to be taken cognisance before deciding. I Productivity Effectiveness of production management may be viewed as the efficiency with which inputs are converted into outputs. This conversion efficiency with which inputs are converted into outputs is measured by a ratio which is known as productivity. Goods and services Output Productivity Input Capital, manpower, land, building, machine, and materials = = Management of production system is essentially concerned with management of productivity. Higher productivity signifies more efficient production.

85 I Cost efficiency Cost efficiency gives the competitive advantage of a product. The input costs are to be optimal considering the quality and price of material. The product and service designs have to be made so that they are simple and costs of the parts are within reasonable limits i.e. value engineering will play an important role in the strategy implementation. • Quality Quality is a major consideration for a company. It effects productivity, competition and cost. Less defectives means less sales return and less reworking of the product, which saves cost and increases productivity. Quality products keep a company ahead in competition. The strategy of quality consciousness helps employees to act responsibly. A company is able to produce more units with less 'resources. Total Quality Management (TQM) is 'a popular approach to managing quality.

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TQM is built around four main ideas. i) Do it right the first time :

Here inspection of the product is made during the process and any defect is reworked or if there is machine defect it is rectified. Every person in the process who touches the products in the different stages spots the defect if any, and rectifies it. Here the stress is on continuous improvement of personnel, processes and product. ii) Customer centric : Both internal and external customers have to be satisfied. TQM emphasise that the employees dealing with customers should be customer friendly i.e. I Customer needs should be anticipated I Listen to customers I Respond appropriately I Learn how to keep customer satisfied iii) Continuous improvement becomes a way of life : Here TQM stresses on achieving better quality, speed and flexibility at lower cost and wastage. The Japanese name Kaizen stands for continuous improvement. Kaizen stimulates continuous improvements in the organisation. It provides scientific approach to improve productivity by eliminating waste arising from inconsistency, inadequacy defects, waiting, unnecessary transportation, defects etc. iv) Teamwork : TQM is employee-driven. It empowers the employees through training, by providing information and best possible tools. They are also encouraged to be

86 involved in key decisions and finally reward- for good results are given. Team spirit is inculcated by drawing talents from different departments. Teamwork enhances co- operation and effective and efficient work. lllll Reliability Only quality will not be the factor which a customer will look into a product. They would also be interested to the fact that

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the product should work as designed for a reasonable length of time. I Flexibility The company has to respond appropriately to the changes in the product design or product mix

as dictated by the market. Even the facilities should be able to adjust in case of change in volume. Capacity I Build capacity on future demand The customer demand, its acceptance of the product and competitor's reaction are to be estimated for building up capacity. I Estimates lead to actual capacity building : The management has to consider the estimates and based on that translate it into actual capacity,

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keeping input limitations such as plant, equipment, finance, human resource etc. in mind. | Create alternate capacity

plan : There could be wide gap between what the market can absorb and what the company can produce. In such cases the company should prepare alternate plans. Most leading companies try to meet demands during peak period in any of these manners : i) By increasing the capacity of the plants. ii) By producing more during black time and build up stocks such that peak period demand can be met. iii) By giving overtime work. iv) By sub contracting some work. | Evaluate the various alternatives : By producing more volume or variety of products, the

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costs tend to go up. Such additional costs should be carefully evaluated

against the expected pay off and the associated opportunities and threats. | Vertical and Backward Integration : For growth of a company, it may go for
87 vertical integration either backward or forward. Vertical Integration is an ingenious device on the part of the manufacturer to reduce the cost. The make or buy decisions always bother the managers. In most of the cases buying seems to be a better alternative, but company's tend to go for vertical integration in industries having the following characteristics : i) Where the quality of the product is important. ii) Where the finished product of one industry can be consumed by another as raw material iii) Where one process is complementary to another iv) Where balanced production is significant. Integration policies, if properly designed and implemented, can yield high profitability. Technology and Facilities | Choice of Technology : The existing technology for the production of the product, if available has to be weighed against the alternative technologies that may be there. If the technology for the production of the product is not available, then whether the technology can be developed through R & D has to be probed into whether foreign technology can be imported through collaborations or joint ventures could be considered etc. | Process Planning : Process planning indicates operations to be performed and their sequence. It specifies the machine tools for each specified operation and the manufacturing data like speeds and feeds. It indicates estimated set up and processing times and sometimes the specifications of skill for each operation. This data called process sheet helps in the following activities. i) Scheduling : It is the process of fitting a job onto the machine or group of machines according to their available time, which are required for manufacturer of the item and within the total time which is not greater than the promised delivery period. With the data given from process sheet load and schedule charts can be drawn up. ii) Materials movement : The shop floor manager can know where the jobs are required to be sent for next operation. iii) Cost reduction and cost control : Since the process sheet gives prior information tooling and other materials can be arranged ahead of the operation. This reduces set up time and reduces labour cost and overheads. iv) Costing : The prior information will help costing dept. to determine pre and post production cost and do variance analysis.
88 v) Requirement of machines and manpower : Set up and processing time for any operation is given in the process chart from where total machine hours and manhours can be determined which enables management to engage the required machine and manpower as per requirement. vi) Method of Working: Without going to the shopfloor method study engineer can know as to how presently the part is being manufactured and the operationwise time date also helps to know whether the shop performance is as per expected performance. | Facilities Location Planning Plant location is important both for manufacturing and service category. It is a strategic decision and has long term implications. Every firm may have its own criteria for choosing a site. However, the following points are considered. i) Deciding on the overall area of the country (i.e. which region), proximity to markets, proximity to sources of raw materials, availability of utilities, transport facilities, climate conditions, industrial and taxation laws. ii) Within the region, availability of labour, industrial and labour attitude, social structure, service facilities etc are considered. iii) Site factors such as availability of land, suitability of land, cost of the land etc are considered. | Facility Layout Planning Plant layout is the plan of or implementation of plan. It is an optimum arrangement of facilities, operating equipment, personnel, storage space, materials handling equipment, and all other supporting services along with the design of the best structure to contain these facilities. These are done to permit the processing of a product in the most effective manner through the shortest possible distance and through the shortest possible time. Layouts are basically of three types i) Process or functional layout ii) Product or like layout iii) Project or fixed position layout. It process layout the plant is divided into process units i.e. departments and within these process units all similar facilities are grouped together. For example, all the drilling machines are kept together again, all the milling machines are kept together and so forth.

89 Process layout is suitable when (a) products are non standard or (b) there is wide variations in the processing times of individual operations. Product layout is also known as 'layout by sequence'. The facilities are laid out in such a manner that the product moves sequentially in unidirection for the different operations that are to be done to it. Product layout is suitable when (a) the products are standard and large quantities are to be produced (b) products here reasonably stable demand (c) processing time of individual operations is more or less same (d) uninterrupted supply of raw material and other supplies can be maintained. There could be mixed layout of process and product layouts. Project or fixed position layouts are made specifically for a particular project. Here

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the product by virtue of its bulk and weight remains at one location. The equipments required are moved to the product.

For example, in the case of ship building. Purchase and Inventory Control Purchase is the function of buying materials and resources needed to create products and services. Purchase has to see that there is adequate material of right quality for production and at the right price. Inventory control looks into

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the proper management of the inventory comprising of raw materials, work in process, finished goods and

goods in transit. The inventory control is very important as it tries to optimise the investment on stock and stock carrying cost. Funds get locked up if huge stock piles up and that pushes up cost and the product loses competitiveness due to pricing. There are various methods of inventory control of which (i) Economic ordering quantity (EOQ) is the commonly used method. Here the ordering cost and inventory carrying cost (holding cost) are minimised and a base stock is maintained such that there is no stock out. Orders are placed when the stock level reaches the reordering level calculated on scientific basis. (ii) Just-in-time (JIT) is an inventory system primarily designed to have zero inventory. The concept is to deliver the raw materials directly

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to the production facility 'just in time' to be used.

This system works relatively better for standardised products having consistent demand. The philosophy of JIT technique is that products should be manufactured only when customers need them and in quantities as the customers need, so that there is minimum stock buildup.

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Quality Quality is the totality of features and characteristics of a product or service that bear on its ability to satisfy stated or implied needs.

The details of quality and TQM have been discussed already under quality in the section Product-Service mix.

90 Productivity As already defined productivity is the efficient transformation of input to output. The efficiency may be achieved by the following techniques : I Technological productivity : Technological upgradation through more efficient machines, more computer aided machines, computers and even with robots, the outputs may be increased significantly. I Worker productivity : Here workers produce more output in the same time. Better workplace ambience, rewards for more productivity etc would motivate workers to increase productivity. I Managerial Productivity : This means managers run the business more efficiently through better planning, encouraging team spirit, ensure quality production through techniques like statistical quality control, quality circles, motivate employees etc. Identifying Strategic Alternatives Strategy Alternatives : 1. Define 'Diversification and Corporate Strategy'. 2. Explain four main tasks in Crafting Corporate Strategy. 3. What do you understand by the term 'Competitive Strengths of a Single Business Strategy'? 4. What are the risks of a Single Business Strategy? 5. When does Diversification Start to makes sense? When to diversify? 6. Why diversify? 7. Explain Strategic Management Principle. 8. Differentiate between Related/Unrelated Diversification. 9. Narrate Strategy Alternatives for a Company looking to diversify. (a) What is Related Diversification? 10. What do you understand by the Concept : Strategic Fit? 11. Define Value Chains for Related Businesses Strategic Appeal of Related Diversification. 12. Discuss Types of Strategic Fits. 13. Discuss R & D and Technology Fits.

91 14. Discuss Supply Chain Fits. 15. What is meant by Manufacturing Fits? 16. What is meant by Distribution Fits? 17. What is meant by Sales and Marketing Fits? Discuss types of Potential Benefits. 18. Enumerate Managerial and Administrative Support Fits. 19. What do you understand by the topic Concept : Economies of Scope. 20. What are Related Diversification and Competitive Advantage? 21. Discuss Capturing Benefits of Strategic Fit. 22. What is Unrelated Diversification? 23. Discuss Basic Premise of Unrelated Diversification. 24. Narrate Value Chains for Unrelated Businesses Acquisition Criteria for Unrelated Diversification Strategies. 25. What do you mean by Attractive Acquisition Targets? 26. Define Appeal of Unrelated Diversification. 27. Define Drawbacks of Unrelated Diversification. 28. How broadly should a Company diversify? 29. How many Unrelated Businesses can a Company diversify into? 30. Discuss the term 'Diversification and Shareholder Value'. (a) Related Diversification (b) Unrelated Diversification 31. Combine Related-Unrelated Diversification Strategies. 32. Discuss Strategies for entering New Businesses Acquisition of an Existing Company. 33. When is Internal Startup more attractive? 34. Explain Joint Ventures and Strategic Partnerships. 35. What are the drawbacks of Joint Ventures? 36. Explain Strategy Options for a Company already diversified strategies to broaden 92 a Diversified Company's Business Base. 37. Enumerate Divestiture Strategies aimed at Retrenching to a Narrower Diversification Base. 38. Define Retrenchment Strategies along with the following : (a) Objective (b) Strategic Options involve divesting businesses 39. What are the conditions that make Retrenchment attractive? 40. Explain the Options for accomplishing Divestiture. 41. What do you understand by Corporate Restructuring and Turnaround Strategies? (a) Discuss the Objectives of Corporate Restructuring Strategy. (b) Discuss the Objectives of Corporate Turnaround Strategy. 42. Narrate the Conditions that make Portfolio Restructuring attractive. 43. Define Turnaround Strategies : The Options. 44. Comment on Trend in Diversification. 45. Explain Multinational Diversification Strategies along with its distinguishing characteristics. 46. What do you mean by Appeal of Multinational Diversification Strategies. 47. Discuss Opportunities to build Competitive Advantage via Multinational Diversification. 48. What are the Competitive Strengths of a DMNC in Global Markets? 49. What are the Competitive Powers of a DMNC in Global Markets? Strategy Evaluation and Selection : 1. What do you understand by Building Shareholder Value : Questions to ask about a Diversified Company. 2. How to evaluate. a Diversified Company's Strategy? 3. Identify a Diversified Company's Strategy. (a) Identify present Corporate Strategy. (b) Evaluate Industry Attractiveness Factors.

93 4. What are the Procedures for rating the Relative Attractiveness of each industry? (a) How appealing is the who group of industries in which the Company is invested? 5. Evaluate each Business Unit's Competitive Strength. 6. Narrate Factors to use in evaluating Competitive Strength. 7. What are the Procedures for rating the Competitive Strength of each business. 8. Enumerate Industry Attractiveness-Competitive Strength Matrix Strategy Implications of Attractiveness/Strength Matrix. 9. Discuss Strategic Fit Analysis. 10. Evaluate Portfolio for Competitively Valuable Cross-Business Strategic Fits. 11. Identify Cross-Business Strategic Fits. (a) Assess Resource Fit. (b) Check for Financial Resource Fit. (c) Explain Characteristics of Cash Hogs. (d) Explain Characteristics of Cash Cows. (e) Explain Good vs. Poor Financial Fit. (f) Check for Competitive and Managerial Resource Fits . 12. Rank Business Units based on Financial Performance. 13. Decide Resource Allocation Priorities and Strategic Direction. 14. Discuss the following Options for General Strategic Direction. (a) Invest and Grow (b) Fortify and Defend (c) Overhaul and Reposition (d) Harvest or Divest 15. Discuss the following Options for allocating Financial Resources. (a) Strategic Purposes (b) Financial Purposes

94 16. Narrate Crafting a Corporate Strategy-Key Issues. 17. What are the Options for addressing a Performance Shortfall? 18. Identify Additional Diversification Opportunities. (a) Discuss Related Diversification . (b) Discuss Unrelated Diversification 19. How do Corporate Strategies form?, 20. How do you manage th Proccss of Crafting Corporate Strategy? Implementing Strategy 1. What makes up a Company's Culture? 2. Discuss the features of the Corporate culture at Wal-Mart. 3. Discuss the features of the Corporate Culture at General Electric. 4. Discuss the features of the Corporate Culture at Nordstrom's. 5. Where does Corporate Culture come from? 6. How is a Company's Culture perpetuated? 7. Explain Forces and Factors causing Culture to evolve. 8. Narrate Cuture and Strategy Execution : Ally or Obstacle. 9. Why Culture matters? Discuss benefits of a good culture-Strategy Fit. 10. Explain types of Corporate Cultures Characteristics of Strong Culture Companies. 11. How does a Culture come to be strong? 12. Narrate Characteristics of Weak Culture Companies. 13. Narrate Characteristics of Unhealthy or Low Performance Cultures. 14. Discuss Hallmarks of Adoptive Cultures. 15. Create a Strong Fit between Strategy and Culture Types of Culture-Changing Actions. 16. Discuss Symbolic Culture-Changing Actions. 17. Discuss Culture-Changing Actions. 18. Establish Ethical Standards and Values.

95 19. Enumerate Topics covered in Value Statements and Codes of Ethics. 20. Enumerate Instilling Values and Ethics in the Culture. 21. Discuss about building a Spirit of High Performance into the Culture. 22. Discuss Approaches to building a Spirit of High Performance. 23. Explain Pepple Management Practices that promote a Spirit of High Performance. 24. Explain the following numerous Roles of Strategic Leaders/Leadership Roles of the Strategy Implementer. (a) Stay on Top of What's happening (b) Foster a Strategy-Supportive Culture (c) Leader's Role in Matching Culture and Strategy (d) Keep Internal Organization Responsive (e) Leader's Role in Empowering Champions (f) Leader's Role in developing New Capabilities (g) Exercising Ethics Leadership (h) Manager's Role in Exercising Ethics Leadership (i) Key Approaches to Enforcing Ethical Behavior (j) Actions Demonstrating Corporate Citizenship and Social Responsibility (k) Lead the Process of Making Corrective Adjustments

96 Unit 12 ppppp Financial Strategy Financial management is that managerial activity which

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is concerned with the planning and controlling of financial resources.

Financial strategies and policies of a firm are concerned with fund raising and fund allocation. Fund Raising Finance, it is said, is the life blood of a business, without which all the operations of a business will come to a grinding halt. Thus maintaining an adequate cash flow for the running and also growth of a business is very important. Finance strategies should ensure adequate and regular supply of capital. Capital can be raised from different sources. So the capital structure of the company has to be decided. Strategies should be worked out as to what will be the equity share component and debt component. The basic objective is to maximise the shareholders' wealth. At the same time it has to be seen that there is no over capitalisation or under capitalisation. Over capitalisation is indicated when the earnings of the company is

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not. large enough to yield a fair return on the stocks and Bonds or when the amount of securities outstanding exceeds the current value of the assets. A company may be undercapitalised when the rate of profit

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is making is exceptionally high in relation to the return enjoyed by similar companies in the same industry or when it has very little capital with which to

run the company. There are various alternatives for raising funds e.g. shares, debenture, bond, term loans, fixed deposits and bank finance for working capital. Another important issue is the return to the investor, the important decision for dividends. A steady dividend policy is advisable as it gives an impression of the company as a steady organisation. However, the finance manager has to trade off between dividend payment and ploughing back the profits for company's use. Generally, a growth oriented company tries to plough back the own generation funds for the future growth.

Utilisation of Funds The basic function is to decide about expenditure decisions and to determine the demand for capital for those expenditures. Thus finance manager is concerned with the efficient allocation of funds. Financial manager must find a rationale regarding the following three questions :

97 i) How large should an enterprise be, and how fast should it grow? ii) In what form should it hold assets? iii) How funds required would be raised? The finance managers have to make decisions in the most rational way. The main areas for application of funds are (i) Fixed Assets and (ii) Working Capital. Fixed assets involve long term investment of funds. Once these assets (like land, building, machinery, furniture, vehicle etc) are purchased, they are to stay for a long time; this expenditure is also known as sunk costs. The expenditure in these assets has to be minimised with respect to business requirement. Any investment costs the company either in the form of interest for borrowed funds or returns (dividends) to the shareholders or even on own generation fund, there is opportunity cost. Thus while making fixed asset decisions the finance works out the return in terms of present day value that the assets will generate in future. There are various methods like (i) Pay back period (ii) Net present value (NPV) (iii) Internal rate of return (IRR) which are applied to find the rates of return: Instead of putting own funds a company may go for hire purchase or leasing whereby the funds of the financial companies involved in leasing and hire purchase can be utilised at a cost. These methods are also useful in case of investments in technological assets which due to rapid technological advancement may become obsolete within a span of few years, as in hire purchase the ownership of the assets get transferred only after completion of the period for which it has been taken and leasing is also for a short period of time. Thus utilisation of funds for fixed assets is a very decisive factor for a company. Working capital is the capital which runs the day to day business of the company. Gross working capital is defined as the total of current assets, while net working capital is defined as the current assets less the current liabilities. The management of working capital means management of the 'current assets, mainly the management of money position (i.e. cash and bank) which is the most liquid asset. Liquidity has two dimensions (i) the time necessary to convert the asset into money and (ii) the degree of certainty associated with the conversion ratio or price, realised for the asset. Although most assets have a degree of liquidity, cash and marketable securities have the highest degree of liquidity.

98 Inventory consumes a significant portion of firm's assets and require substantial investment. To keep these investments from becoming unnecessarily large, inventories must be managed efficiently. Accounts receivables are the open end credit that the firm extends to the customers. A huge build up of accounts receivable would mean money locked up without any return. A careful analysis has to be made regarding the credit policy involving a trade off between the profits on sales that bring in receivables on one hand and the carrying cost of these receivables and bad debt losses. Collection process also has an effect on these factors. Thus procedures are essential to policies in this case. To finance working capital which is short term in nature, companies take recourse to many sources e.g. bank finance, public deposits, trade credit, bill discounting etc. Banks provide working capital finance on the basis of estimated working capital requirement with security as the current assets to be financed. The company has to provide for the margin money for the loan. Public deposits are raised from the-market; they are for short term period and can be unsecured and secured by assets of the company. Trade credits are

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the credits extended by the suppliers of goods and services. The suppliers usually extend credit based on the

creditworthiness and relation with the company. Banks while giving short term loans for working capital gives a cash credit limit for the company. It also provides for a bill discounting limits. Here the bills raised on the buyers of the company can be discounted through the bank and money realised immediately at a cost. However, if the bills bounce in future, then the bank will realise the money from the company and reverse the accounting entry. Companies may raise short term fund through commercial papers (CP), which are short term promissory notes with fixed maturity period. However, the companies which are only creditworthy can do so. Financial Ratio Analysis The most useful way of analysing a firm from a financial stand point is the financial ratio analysis. The Du Point company developed a simple system of ratio analysis for analysing the financial statements. The focus of this system lies on the ultimate corporate objective i.e. Return on Investment (ROI). We will discuss some of the important financial ratios.

99 Focus Overall Performance Equity returns Capital structure Safety aspects Working capital management Cash flows Overall profits Ratios ROI ratios Equity ratios Leverage ratios Coverage ratios Activity Liquidity Profitability Reference group Top management, financial institutes, banks, investors in equity shares, debentures, FD schemes etc. Operations management, bankers, creditors, suppliers. Senior management, lenders and investors Macro Level Fig 12.1 : The Du Point framework for Ratio Analysis The objective of a company should be to maximise its ROI for which capital should be productively employed and sales should be profitable. The return on investment is computed as follows 1. $ROI = \frac{[(\text{Profit before tax} + \text{Interest}) + \text{Total Capital Employed}]}{[(\text{PBT} + \text{Interest}) + (\text{Shareholders' Net worth} + \text{Borrowings})]} \times 100 = \text{Productivity of capital} \times \text{Profitability of sales} = \frac{[(\text{Sales}) (\text{Capital Employed}) \times (\text{Profit}) + (\text{Sales})]}{[(\text{PBT} + \text{Interest}) + \text{Sales}]} \times 100$ PBT stands for Profit before tax. Shareholders' networth is the Capital + Retained earnings + Reserves and Surplus. 2. Profitability of sales = $\frac{[(\text{PBT} + \text{Interest}) + \text{Sales}]}{[\text{Sales} + \text{Capital Employed}]} \times 100$ 3. Productivity of Capital Employed = $\frac{[\text{Sales} + \text{Capital Employed}]}{[\text{Sales} + \text{Capital Employed}]}$ Activity Ratios 1. Inventory Turnover Ratio = $\frac{\text{Cost of goods sold}}{\text{Inventory}}$ The numerator of this ratio is the total cost of the goods upto the point of sales. The ratio reveals the effectiveness of a company's inventory management. Higher the sales turnover with lesser inventory will be the desired situation.

100 2. Average collection period (Debtors Turnover ratio) = $\frac{\text{Debtors} + \text{Average Daily Sales}}{\text{Debtors} + \text{Annual Sales}/365}$. This ratio indicates the number of days of credit period being- given to customers. Lower the ratio it is better. 3. Capital employed turnover = $\frac{\text{Sales} + \text{Capital employed}}{\text{Sales} + \text{Capital employed}}$ The ratio indicates the productivity of the capital in terms of sales. Higher the ratio it is better. 4. Fixed Asset Turnover Ratio = $\frac{\text{Sales} + \text{Net Fixed Assets}}{\text{Sales} + \text{Net Fixed Assets}}$ The ratio indicates how good the fixed assets are utilised. Higher the ratio means the fixed assets are used more. Liquidity Ratios These refers to the working capital situation. 1. Current Ratio = $\frac{\text{Current Assets} + \text{Current Liabilities}}{\text{Current Assets} + \text{Current Liabilities}}$ This ratio

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indicates the extent to which current liabilities are covered by current assets. An ideal ratio is 2: 1,

however this will vary from industry to industry.. 2.

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Quick Ratio or Acid Test Ratio = $\frac{\text{Quick Assets}}{\text{Current Liabilities}}$ Quick assets mean current assets less inventories,

some debts which are liable to become bad etc. i.e. this gives the assets which are easily marketable i.e. quickly converted into cash. The ideal ratio is 1 : 1. Profitability Ratios 1. Gross Profit Margin $\frac{(\text{Sales} - \text{Cost of goods sold})}{(\text{Sales})}$ The ratio indicates the gross margin available on sales. The higher the better. 2. Net Profit Margin $\frac{(\text{Net profit after tax})}{(\text{Sales})}$

101 This ratio would also be better if its higher. 3. Operating Expenses Ratio $\frac{\text{All operating expenses}}{\text{Sales}}$ The lower the ratio would be better. Leverage Ratios The leverage relates to the borrowings of a company 1. Debt - Equity Ratio = $\frac{(\text{Long Term Debt})}{(\text{Shareholder.s' net worth})}$ This ratio highlights the capital structure of a company in a nutshell. A debt equity ratio of 2: 1 is a permissible ratio for banks and financial institutions for giving loans. Coverage Ratios The coverage ratios are the ratios which measure debt servicing capabilities of a company and indicate the cushions available in respect of these payments. Higher the cover, the better is the level of safety. 1. Interest Coverage = $\frac{(\text{Net profit before interest and tax})}{(\text{Interest charges})}$ Higher the cover the better for the company's lenders. 2. Dividend cover = $\frac{(\text{Net profit after tax less preference dividend})}{(\text{Equity dividend})}$ This ratio indicates the number of times equity dividend is covered by the company's net profit after tax. The higher the cover it is better for the equity shareholders. 3. Debt-service coverage ratio = $\frac{(\text{Net profit} + \text{Depreciation} + \text{Interest})}{(\text{Loan instalments} + \text{interest})}$ The ratio indicates how the company is placed in relation to return of loans. Equity Investor's Ratios 1. Earnings per share (EPS) = $\frac{(\text{Net profit after tax} - \text{pref dividend})}{(\text{No of equity shares})}$ EPS is a indicator of company's performance. If the EPS is good, the company can 102 pay dividends, plough back the profits. For these reasons it is very important for an investor. 2. Price/Earning Ratio (PIE ratio) = $\frac{(\text{Market value per share})}{(\text{Earnings per share})}$ The PIE ratio indicates the relationship between EPS and the current market price of the shares. For a company doing very well the PIE ratio may be 15-20 times . An analysis of financial ratios helps a strategist in the following ways : (i) If an analysis of the ratios are made over the years it gives a definite trend and helps in comparing the progress. (ii) Inter firm comparison of key financial ratios alerts one as to what is happening in a company vis-a-vis its competitors. (iii) It can spot areas where improvements can take place. (iv) It can also alert against possible dangers.

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Financial Strategy and Competitive Advantage Financial strategy provides the firm with the appropriate financial structure and

explores various investment alternatives and strategic alternatives like mergers, acquisition etc. Companies obtain competitive advantage in financial function through low cost sourcing of funds, cost effective operations, proper working capital management. To quote J. Thompson² "Finance can be a source of great strength in building distinctive. competitive advantages to a company. Companies that manage their stocks debtors and creditors will improve their cash flow and reduce both operating and borrowing expenses. They can borrow at competitive rates and reduce interest payments to a significant extent. Large finances help them to move ahead of competitors with . confidence. Resources can be leveraged to increase the returns to the shareholders. They can increase their scale of operations and derive significant tax concessions through mergers and acquisitions. Thus companies that manage their funds well can build distinct competitive advantage over a period of time." References 1. Ezra Solomon The Theory of Financial Management, Columbia University Press, 1969 pp 8-9 2. J. Thompson Strategic Management, Chapter 12, "Financial Strategy", ITBP, London, 1997.

103 Unit 13 ppppp Human Resource Strategy Human resource is the organisation's people. Highly developed technology, cost reduction etc all are strategies, but nothing could be achieved, if. an organisation lacks the people with requisite skill to perform the job. Thus Human Resource is the most important resource for an organisation. To get the best output from the people they have to be handled in proper way. Managing these people will need leadership qualities. The role of Human Resource management is to procure, train and develop•

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and maintain competent workforce to achieve the goals of an organisation in an effective and efficient manner.

Models of Human Behaviour Organisational behaviour that organisations develop differ in the quality. The difference arises due to the different models being followed by the different organisations. Four models of organisational behaviour have been followed by the organisations over the years. These are autocratic, custodial, supportive and collegial. l Autocratic model depends on the power of the boss. In this model it is taken for granted that the management knows what is best and the employees will have to follow their instructions. It considers that the employees have to be directed and pushed to perform and the management's function is to do that precisely. Management does all the thinking and employee's job is to follow the managements orders. In this theory which was propounded by Douglas McGregor as theory X also assumed that human beings by nature dislike work and therefore they have to be coerced, controlled and directed and threatened with punishment to get them put forth adequate effort. At the opposite extreme stands McGregor's Theory Y, which assumes that it is natural for human beings to make physical effort and mental effort as play or rest: Average human beings learn under proper conditions, not only to accept but also to seek responsibility, capacity to exercise high degree of imagination, ingenuity and. creativity in the solution of organisational problems. External control and threat of punishment are not the only means to put people to work. People will be committed to service of objectives mostly ; rewards are associated with their achievement. This theory gives rise to the following models. l Custodial model aims at reducing the insecurity and frustration of workers which might be felt by them from autocratic model. Custodial model depends upon money as the best way to motivate employees. Workers are satisfied and happy but not strongly

104 motivated. The workers extend passive co-operation which results in not a full-fledged effort from the workers. The workers have not only physical and security needs; they also have psychological needs which is not looked into in this model. Supportive model depends on leadership instead of authority or economic rewards. Here managements support the employee's job performance rather than simply look after the economic benefits, as in custodial model. The leader assumes that the workers will take responsibility, contribute and improve themselves if given a chance. Thus a climate is provided to help the employees to grow and accomplish in the interest of the organisation. In this way supportive model takes care of certain psychological needs of the workers. Collegial model considers team concept. The collegial model depends on the management's creating a feeling of partnership with the workers. The workers feel an obligation to uphold quality standards for the better image of their company. "In this kind of environment, employees normally feel some degree of fulfillment, worthwhile contribution and self-actualisation, even though the amount may be modest in some situations. Self-actualisation will lead to moderate enthusiasm in performance." 2 The four models evolved over time to meet the requirements at different times. However, there is no best model and the search for newer models will be made to suit the future.

Personnel Policies Personnel or labour or industrial relations i.e. Human Resource Management (HRM) policy provides guidelines for a wide variety of employee relationship in an organisation. A company's personnel policy have two types of objectives. One which signifies the philosophy of the top management toward human resources and reflect its great concern as to the importance of people in the organisation. The other objectives should refer to the specific activities of the HRM dept. Need for Personnel Policy. Personnel policies are to be framed because of the following reasons 3 :

- (i) The basic needs and requirements of both an organisation and its employees require deep thought. The management is required to examine its basic convictions as well as give full consideration to practices in other organisations.
- (ii) Established policies ensure consistent treatment of all personnel throughout an organisation. Favouritism and discrimination are thereby minimised.
- (iii) Certainty of action is assured even though the top management personnel may change. The tenure of office of any manager is finite and limited; but the organisation continues, and along with it continue the policies; and this continuity of policies promotes stability in the organisation.
- (iv) Because they specify routes towards selected goals, policies serve as standards or measuring yards for evaluating performance. The actual results can be compared with the policies to determine how well the members of an organisation have lived up to their professed intention.
- (v) Sound policies help to build employee enthusiasm and loyalty. This is specifically true when they reflect established principles of fair play and justice, and when they help people to grow within an organisation.
- (vi) They set patterns of behaviour and permit participants of plan with a greater degree of confidence.

Principles of Personnel Policies

- (i) Have the right man at the right place.
- (ii) Train the employees for the jobs to be done.
- (iii) Espirit-de-corp should exist among all departments and divisions.
- (iv) Right co-ordination among departments and divisions, so there is less of conflict.
- (v) Provide workplace conducive to work. Also better facilities and tools are to be provided. Create a sense of belonging to the workers.
- (vi) Ample scope should be provided for creativity. Opportunities should exist for the worker for advancement. Reward and recognition for good job done and reasonable security should be there.

Personnel policies should be sound and have a broad coverage of all the functions. The American Society for Training and Development (ASTD) has developed the HRM model which integrates the following areas or sub systems of HRM.

- (i) Training and Development
- (ii) Organisation Development
- (iii) Organisation/Job Design
- (iv) Human Resource Planning
- (v) Selection and Staffing
- (vi) Personnel research and information system
- (vii) Compensation/benefits
- (viii) Employee assistance
- (ix) Union/labour relations

These nine subsystems have been referred as the spokes of the wheel, as shown here. Fig 13.1- Human Resource Wheel [Source : American Society for Training & Development, Models for Excellence • (ASTD, 1983) _ p.23]

107 Human Resource Planning (a) Objectives of human resource planning is essentially the process of finding and

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getting the right number of qualified people into the right job at the right. time. "In effect it is

the purpose of matching or fitting employee abilities to enterprise requirements, with an emphasis on future instead of present arrangement." (b) Manpower planning process estimates the future organisational structure at a given point of time and on that basis estimate the number and type of employees needed are determined. Forecasting provides the premises on which manpower planning is based. The manpower plan is flexible and is tuned to the requirement of an organisation from time to time. The manpower plan can. be for short term, say, for 1-2 years and long term, say, for 3 to 5 years time frame. This is a very important aspect as a shortfall in right quality manpower will affect the performance, again a over burdened company with more than required personnel will affect the bottom time and in many cases may lead to steady process of closure. Selection, Recruitment and Staffing Selection embraces all policies by which the company makes a choice of employees. While formulating a selection policy due consideration should be given to organisational requirement as well as cost factor, extent of formality, certain selection policy issues such as promotion from within, attitudes of enterprise in recruiting handicaps, women employees, part time employees etc have to be taken.

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The purpose of selection is to pick up the most suitable candidate who would meet the requirements of job and suit the organisation best. So the

HRM manager may look into the Internal sources or External sources to fill that vacancy. Recruitment is the process of choosing a person. Apart from the curriculum, vitie, interviews are held to find out the talent within him and on that basis, if found suitable, by the board of interviews he may be selected. Staffing is after selection, placement of the individual for the right position for which the person has been considered. Compensation This is the determination of adequate and equitable remuneration of the employees in the organisation. Certain factors have to be considered in fixing remuneration like the basic needs, legal provisions regarding minimum wages capacity of the organisation-to pay, the remuneration given by competitors for similar jobs. Compensation could. be 108 both in terms of monetary as well as non-monetary rewards. Employee Welfare and Assistance If the morale of the employee is high the output will be definitely better, so organisations take welfare measures which relate to the physical and social. well-being of the employees. The organisation takes measures for health, safety and various other areas like education for employee's children, recreational facilities, cafeteria etc. Counselling is also done for providing solutions to personal problems of the employees. Industrial Relations This function is very important for the smooth running and growth of an organisation. The Personnel Manager is mainly entrusted to settle the disputes. that arises with the workers. The labour laws and other industry related laws are one of the areas where he has to be' conversant with. Collective bargaining and joint consultations are methods of finding solutions to the disputes. Various committes are made to take care of the labour welfare, redressal of grievances etc. There are strategic decisions made for having a peaceful and conducive atmosphere for business.

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Training & Development Training is imparted for increasing knowledge and skills of an employee for doing a specific job.

Training enables a trainee to do the job rriore efficiently and improve himself for future higher level jobs. Thus training is a planned programme designed to improve an employee's knowledge, skill, attitude and approach to work. It also acts as a motivating factor. Development is more oriented towards individual than training. Here knowledge and skill is imparted to employees mainly to managers so as to enable them to more effectively do problem solving, and decision making. Personnel Research & Information System Personnel department prepares a data base regarding all the employees of the organisation. It keeps full records of his training, transfer, achievements, promotions etc alongwith absenteeism, indiscipline if any, labour turnover and the personnel programmes and policies of the organisation. This- helps in strategy formulation. Organisational Design and Development. The HRM managers will knit the organisation as a single unit so that the jobs are carried out smoothly. The thrust will be to define how tasks, authority and systems get 109 together and integretd across organisational units and individual jobs. HR Strategy .in Dynamic World The external and internal environment influence the HR function of any company. External factors like technology, political aspects, local and government issues, unions, etc influence a HR strategy e.g. change in technology will have an effect on HR manager as he will have to get suitable persons who are knowledgeable about the new technology. Again, he may have to bend to pressure from political sources to consider candidates with the right political connections.

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Internal environment also affect the HR manager. The different functional areas, specific cultural issues peculiar to a unit

all have an effect on the HR function. The HR manager will have to decide on the courses of action for the survival and growth. The HR strategies should be such that' the firm has the competitive edge over other organisations. References 1. Douglas McGregor The Human Side of Enterprise, McGraw Hill . Book Co, New York 1960. 2. Keith Davis, Human Behaviour at Work : Organisational Behaviour, McGraw and John Newstrom Hill, New York, 1989 pp 28-29 3. S. Dale and Beach Personnel Management of People, Macmillans Colier, N. t. 1977 pg 48-49 4. A. F. Sikula Personnel Administration and Human Resource Development, 1978 p 148

110 Unit 14 ppppp Behavioural Strategy A successful strategy formulation does not necessarily means successful strategy implementation. Strategy implementation requires the active- support of all managers and employees. The most important would be the organisational structure to put the strategy into effect and the behaviour of the strategists in implementing the chosen strategies. So we deal with the major issues of leadership, corporate culture, corporate politics and use of power, personal values and business ethics. Leadership Implementation Leadership plays a vital role in the success or failure of an enterprise. Leadership is the achievement of some goal through others. To this end a leader establish direction for the organisation by developing and communicating a vision, and motivating and inspiring organisation members to move in the direction. The success of a leader can

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often be linked to his ability to exercise the right kind of influence at the right time.

Leadership has been studied and researched over the years. Various theories and models have been propounded. No theory has been accepted universally, but on the content and process of leadership lot can be understood. Types of Leadership Styles The techniques of leadership and its styles may be classified as below : i) Authoritarian and autocratic leadership ii) Consultative, participative, democratic leadership iii) Laissez-faire, free rein leadership iv) Bureaucratic or rules-centered leadership v) Expert leadership vi) Manipulative leadership. i) Autocratic leader thinks he is the only competent and capable person and assumes full responsibility for taking decisions. Subordinates are given very little freedom and they are expected to obey and adhere to his decisions. Autocratic communication is essentially one-way, which results in lack of feedback and which may lead to mistakes and misunderstanding. Autocratic style may be effective in emergency situations or at times when there is no time for consultation. However, employees mostly oppose this sort of leadership as they feel insecure, ill informed and afraid of the leader's authority. The employees do not get a

111 chance to develop themselves and the motivation level is at the lower end. ii) Here the leader takes decision after consulting with the subordinates. He involves his group in the decision making process. The subordinates are encouraged to participate with open mind for deciding on subjects in which they will be themselves involved. This increases the commitment of the subordinates and motivation for doing the task in which they themselves have taken the decision. To fulfill their own commitment in the decision making forces them to achieve the goal. The leader develops team spirit and encourages his subordinates to function as a social unit and utilises the talents and abilities of the group. iii) Laissez faire or free rein is group centric leadership. In this type of leadership, the leader delegates the decision making process almost totally to the subordinates. Except for stating some minimum number of ground rules, the leader provides very little guidance and support to the subordinates. The role of a leader in this case is mostly liasoning between outsiders and the 'group and providing necessary resources to the group. No control or appraisal of performance is made in the hope that the subordinate will enforce themselves if required. This style of functioning is effective when the employees are well trained and highly knowledgeable concerning the jobs and are ready to shoulder the responsibility. This gives great personal satisfaction and independence to the subordinates. Moreover, this is desirable when the corporate goals and the employees' goals are highly compatible and the leader can repose great degree of confidence in his subordinates. But there are many drawbacks also. The groups may be too large to work together and have cohesion among the members. There could be some members who may not co-operate, thus arriving at a decision could be very difficult and ultimately may land up into chaos. iv) Bureaucratic or rules centred leadership behaviour is characterised by a high degree of adherence and dependence on rules and regulations. The leadership then reduces to following of some routine actions. The rules dictate the administration and the workers are aware of the minimum level of acceptable performance to remain safe. Thus workers indulge in activity without any attachment or commitment. There could be resentment and apathy towards rules and often that may be accompanied by a conscious intention to break them. Adherence to rules only stagnates the process to a great extent.

112 v) Expert leadership or also known as situational leadership takes into consideration the knowledge and skill of the leader. The subordinates follow a leader because the skill and knowledge of the person, regardless of his age, sex or other attributes is the need at that particular situation. In these circumstances, a person is looked upm as the leader by the group as he is considered as an expert. He must demonstrate his expertise continuously in order to be regarded as a leader. If the situation changes, another person may become the leader, who again with- his skill and knowledge will be respected as the leader by the group. vi) Manipulative leadership style is based on manipulation by the leader of the employees to achieve the goals of the leader. In this type of leadership, the leader is aware of the aspirations of the employees and uses these as a carrot •before the employees, but ultimately do not reward them: The workers understand that they are being manipulated and therefore become resentful and demotivated. But this style is effective only for a short period or in specific cases like projects of short duration to motivate the employees with" illusive rewards, and get the job done efficiently. Development of Strategists Leadership implementation also relates to the development of strategists. The companies should groom potential strategists. To choose a future strategist and his career development plan is the job of the top management. Generally, talented individuals are spotted earlier and through development process may be made into a strategist. Thus the CEO of a company, as the leader and strategist, of the company may be guided by the following steps : Choosing the future strategist, career planning and development of the person and then the succession planning. The central theme of this discussion is to note that it is imperative to prepare potential executives to take up strategic responsibility. Corporate Culture "Every company has its own unique culture. The character of a company's culture or work climate is a product of the core values and business principles that executives espouse, the standards of what is ethically acceptable and what is .not, the behaviours that define 'how we do things around here,' the stories that get told over and over to illustrate and reinforce values and traditions, the company's approach to people management and its internal policies. The meshing together of stated beliefs, business principles, style of operating, ingrained behaviour and attitudes, and work climate define a company's corporate culture." 1

113 Thus corporate culture is the set of important assumptions that the members of an organisation share. It is the set of beliefs, values and behaviour that helps its members to understand the organisation and its philosophy. For the success of an organisation, its culture must be appropriate to and supportive of the organisation. Corporate cultures vary widely for instance, the culture of a corporate body may be to pursue customer satisfaction at low costs. Again for another corporate body could be team work and service-oriented approach. Culture influences the work of the managers. Managers' behaviour and their relationship with environment is affected by the culture of the organisation. The values, beliefs and practices that underlines the acts of an organisation generally come from influential executives or exemplary actions of some employees or group. The founder or some other strong leaders lay down a set of business principles which goes down the hierarchy in the company. A company's culture could be the strength of a company, it could also be a weakness. Culture can facilitate co-operation, communication and decision making, but it may also be an interference for the smooth implementation of strategy by creating hindrance to change. It is important to understand the relationship between corporate culture and strategy. The strategists can have four approaches. i) To overlook corporate culture. ii) To adjust and

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adapt strategy implementation to conform to corporate culture. iii) To change the strategy to suit the corporate culture.

iv) To change the corporate culture to suit strategic requirements. In the first case the strategist ignores the corporate culture when he finds that it is almost impossible to change or to adjust to the corporate culture. This could be the best way out in such cases. In the second case the strategist adjusts his strategies so as to fall in line with the corporate culture. Changing the culture, which is embedded with everything in a company, is a difficult proposition. But the implementation part may be flexible. The alternatives like structure, systems and processes of strategic implementation could be manipulated to subserve the interest of corporate culture. The strategy to change in the light of corporate culture is important. It is also economical

114 to consider cultural dimensions at the initial strategy formulation. Changing corporate culture being a more difficult proposition is always admissible to draw up the strategy in line with the corporate culture. Again, in some cases it will be imperative to change the corporate culture although it is extremely difficult. But in some cases specially when there is a change in ownership by acquisition or sale of a company, the transition in culture takes place although slowly and mostly through assertive leadership. It should be noted that when strategy becomes an ally of culture it promotes better execution. When there is a conflict it sends mixed signals to the employees, forcing an undesirable choice. Values, Business Ethics and Strategy "A

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value is a view of life and judgement of what is desirable that is very much a part of a person's personality and a group's morale". 2 Business Ethics "is

concerned primarily with the relationship of business goals and techniques to specifically human ends" 12 . Thus values are personal in nature e.g. paying employees in handsomely to maintain a family decently. Whereas ethic is a generalised value system e.g. adapting fair business. Philanthropy may not be the essence of business, thus it is optional. A strategist may not consider this value and still remain within the limits of business ethics. Therefore it is values with which the strategists have to consider as the varying element, before framing a strategy. Strategists have to reconcile divergent values and- have to change at times. "A corporate culture grounded in socially approved values and ethical business principles is a vital ingredient in a company's long term strategic success. Unless a company's executive genuinely care about how the company's business affairs are conducted, the company's regulation and ultimately its performance are put at risk." 13 To be effective the values and business ethics should have to become a way of life. The top echelon of the management should become role models for value based decision making, ethical behaviour and to remember its duty towards the society. It is the duty of the leader to pledge his followers to this direction and take corrective actions in case of some wrongdoings. The leader should always lead from front and push forward the subordinates towards the desired goal keeping within the framework of values and corporate culture.

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116 Unit 15 ppppp Introduction and Evaluation Criteria Introduction The purpose of

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strategic evaluation and control is to evaluate the effectiveness of a given strategy in achieving the organisational objectives and taking corrective actions wherever required.

The traditional approach of control is not sufficient in this case as

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strategy takes long periods for implementation and results. The uncertain future environment makes continuous evaluation of the planning premise and strategy implementation

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Strategy evaluation includes three basic activities : (i) Examining the underlying bases of a firm's strategy, (ii) Comparing expected results with actual results. (iii) Taking corrective actions to ensure that performance conforms. to plans.

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evaluation operates at two levels : strategic and operational. At the strategic level the consistency of strategy and environment

is examined and at the operational' level to find out the strategy is being pursued. Importance Strategic control is "concerned with tracking the strategy as

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it is being implemented, detecting problems or changes in underlying premises and making necessary adjustment. In contrast to post-action control, strategic control

is concerned with controlling and guiding_ efforts on behalf of the strategy as action is taking place and while the end result is still several years into the future." 1 Thus Strategic Evaluation and Control (SEC) helps an organisation in several ways. l The information flow in the form of feedback gives a clear idea how the organisation is faring in the light of the strategic close made. It also helps in close monitoring. l The feedback offers the decision makers to make up their minds in regard to formulation of new or improved strategic plans, if required. l SEC helps in identifying responsibilities for rewarding behaviour and also for failures in regard to the formulated strategies . Barriers : There are three types of major barriers in evaluation l. The limits of control : It is always a difficult task for a

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strategist to decide the limits of control. Too much control may

throttle creativity and initiative and create unnecessary roadblocks to efficient performance. On the other hand, very little control may be used by employees to go of the work, or waste resources without 117 the fear of being hauled up. 2. Difficulties in measurement. It is difficult to find reliable and valid measurement techniques. Distorted measurement technique may not evaluate uniformly or measure variables which are not intended to evaluate. 3. Attitudinal problem : The control process involves the behaviour of individuals controlled, which is likely to be resisted by the managers.

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Evaluation Criteria The critical factors that could help evaluate a strategy may be broadly classified into quantitative and qualitative factors. Qualitative factors :

There are many criterias. One of the popular criterias was given by Rumelt 2 as follows: i) Consistency : The strategy should not have mutually inconsistent objectives and strategies. ii) Consonance : A strategy must represent an adaptive response to the external environment and to the critical changes occurring within it. iii) Feasibility : Can the strategy be attempted within the physical, human and financial resources of the organisation? The strategy should neither overtax available resources nor create unsolvable problems. iv) Advantage : The strategy must provide for the creation and/or maintenance of a competitive advantage in the selected areas of activity. Seymour Miles 3 has given a list of criteria to evaluate a strategy soon after the implementation is over. i) Internal consistency : Does the policy implementation of the strategy fit into the integrated pattern of the organisation? ii) Consistency with the Environment : Are policies in conformity with the present environmental status? iii) Appropriateness of given Enterprise resources : Does the implementation of the strategy facilitate the most economical use of scarce resources? iv) Acceptability of Degree of Risk : In the given attitude of the management towards risk, to what extent is strategy capable of eliminating risk or making it possible for the management to bear it?

118 v) Appropriateness of Time Horizon : Does the strategic implementation give due cognisance to the time horizon?
vi) Workability : Does it achieve the enterprise goal?

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Quantitative factors Quantitative criteria commonly employed to evaluate strategies are financial ratios, which strategists use to make

comparisons. Hofer after reviewing the shortcomings of the many criteria, has given a different evaluation yardstick. He has proposed three measures for strategic evaluation. Performance Some Traditional Proposed New Characteristics Measures Measure Growth Dollar Sales, Unit Sales, Value added+ Dollar Assets Efficiency Gross margin, Net Profits ROVA* Asset Utilisation Net Profits/Dollar Sales ROI, ROVA/ROI Return on Equity Earning per share Fig. 1 : Hofer' s Measure of Organisation's Performance +Value Added-dollar sales-cost of raw materials and purchased parts +ROVA- Return or Value Added= Net Profit Before Tax x 100/Value In attempting to evaluate the effectiveness of the corporate strategy, a comparison has to be done with its competitors with respect to such factors as : l Net profit l Return on Equity l Return on Investment l Cost of Production and efficiency l Market share l Growth in sales l Adaptiveness 119 l Employee satisfaction l Productivity This is a short list but definitely not an exhaustive list of criteria for the evaluation of strategy. Management across the globe have tried to come to a universally acceptable criteria, and in the process have framed different criteria. We have only considered few of them.

120 Unit 16 ppppp Strategic Control Strategic control provides the feedback as to whether all steps are appropriate or not

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and are functioning properly. There are four types of strategic control

as Pearce and Robinson pointed out i) Premise control ii) Implementation control iii) Strategic surveillance iv) Strategic alert control. Premise Control Strategies are based on premises i.e. assumptions or predicted conditions. So a strategy may be valid as long as the planning premises remain valid.

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Premise control is designed to check systematically and continuously whether the premises on which the strategy is based are still valid.

The external environment may change significantly at times. Changes in the vital premises may necessitate changes in strategy. Hamel and Prahalad points out that in case of industry leaders, "the foundations of past success were shaken and fractured when, in all too many cases, the industrial terrain changed shape faster than top management could refashion its basic beliefs and assumptions about which markets to serve, which technologies to master, which customers to serve and how to get the best out of the employees." An early detection of the changed premises is necessary to adapt the strategy to the new environment. Implementation Control Strategy implementation consumes lot of time. Resources are allocated, manpower is deployed,

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special efforts are made from time to time in order to implement

the
strategy.

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Implementation Control is aimed at assessing whether the plans, programmes and policies actually taking the organisation towards the predetermined objectives or not.

Strategic Surveillance "

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Strategic surveillance is designed to monitor a broad range of events inside and outside the company that are likely to threaten the course of

the firm's strategy"⁶. Certain events may occur which could defeat the strategy of the organisation. It is therefore important for the firm to exercise surveillance for timely detection of such developments and corrective action. 121 Special Alert Control Sudden and unexpected developments like takeover/merger, alliance between competitors, a major move by the competitor etc can have a very serious impact on the company's strategy. A "special alert control is the need to thoroughly and often suddenly, reconsider the firm's basic strategy based on a sudden, unexpected event The firm has to respond immediately on such occasion. Contingency plans and crisis management team should be kept for such eventualities. Operational

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Control Here the control is aimed at allocation and use of organisational resources. Evaluation techniques for operational control are based on internal analysis rather than

external environment monitoring as is the case in strategic control. The operational control system involves the following steps : i) Establishing criteria and standard ii) Measuring and comparing performance iii) Performance gap analysis iv) Taking corrective measures. Fig. 2 : Strategy evaluation and control process Some of the important techniques of operational control are discussed now. l

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Value Chain Analysis : . Firms employ value chain analysis to identify and evaluate

this competitive potential of resources and capabilities. This sort of analysis brings out the firm's strengths and understanding the activities through which they can create value. l Quantitative Performance Measurement: The reports such as market share growth, sales growth, profit growth etc are reviewed regularly and

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are generally compared with the standards set up in the first step of control process.

l Bench marking : Here the standards are made on the basis of the competitor's outputs. In this process the firm gets to know how other firms produce high quality goods 122 and services. This helps the firms to stay abreaset of its competitor's improvements and changes. l Balanced Score Card : Instead of depending on financial tools for-performance measure, a more comprehensive system of measurement for this totality of business is considered. There are

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four key performance measures. (i) Customer perspective (ii) Internal business perspective (iii) Innovation and learning perspective and (iv) Financial perspective. l Key Factor Rating :

In this technique the focus is on the key factors i.e. critical factors that contribute to success such as

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financial, marketing, operations and human resource capabilities and assessing overall capability. l Network Aalysis : Network techniques like PERT (Programme Evaluation and Review Technique)

and CPM (Critical Path Method) are also used for effective control of the operational schedules and resource allocation. Scheduling helps optimal utilisation of facilities. It also helps operation with minimum inventory and to adhere to delivery schedules. l Budgeting : Budgets are plans expressed in quantitative terms 1PitheI.- in financial or physical terms or both. Budgets set standards against which performance can be compared. Budgets themselves do not control. It is the budgetory control system which does the control by comparing the actual achievements with the budgeted performance. Essential Features of an Effective Evaluation and Control System. The evaluation system to be effective there have some essential requirements. l Controls should be tailored to plans and positions. Every plan and phase of operation has uniqueness. What managers need to know is information that will tell them how the plans for which they are responsible are progressing. Similarly, controls should be tailored to positions. What will be required by Vice-President in charge of production will not be required by the shop floor manager. l Control should be objective as clarity about the purpose of evaluation is very much essential. l Control must be worth their cost. It must at the same time be ensured that the concern about the cost does not affect the objective and adequacy of the evaluation system. Economy is relative, since the benefits vary with the importance of the activity, the size of the operation, the expense that may incur in the absence of

123 control and the contribution which the control system can make. l Controls should be flexible such that. in the face of changed plans, unforeseen circumstances or failures, it can remain workable. As Goetz has remarked, "A complex program of managerial plans may fail in some particulars. The control system should report such failures, and should contain sufficient elements of flexibility to maintain managerial control of operations despite such failures". l Controls should throw up exceptions at critical points. More managers will concentrate their control efforts on exceptions, the more efficient their control will be. But it is not enough merely to look at exceptions. Some deviations from standard may be very small and will have little meaning. Larger exceptions will have great deal of effect. Thus the manager should focus on exceptions at critical points. l A strategy evaluation system must be pervasive so that its need is appreciated throughout the organisation in general and the functional areas and the people who are associated. with it in particular. l Simplicity of the system has to be there as far as practicable. Complex strategy evaluation system often confuse people and therefore the objective is lost. l Communication at all levels have to be there, as otherwise there will not be active participation of people and the whole purpose will be defeated. Hence communication plays a very vital role in the evaluation system. l The system should be operational i.e. focussed on action and not only on information. The findings of the control must reach the persons responsible to take needed action in time. References 1. John A Pearce II Strategic Management, All India Traveller Book Seller, New and Richard Delhi, 1988 p 404 B Robinson Jr 2. Richard Rumelt

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125 Strategic Business Management Model Short Questions & Answers Time : 2.5 hrs. Full Marks : 100 Part A 80 marks Group I (All questions in this section are compulsory) 40 marks 1. CSR aims to strike an appropriate balance between which two issues? (2) 2. Resource allocation for CSR aims to fulfil which twin objectives? (2) 3. What are the characteristics of global competition? (3) 4. Which are major ways of gaining international competitive advantage? (3) 5. Explain the issues in setting ethical standards in corporate behaviour. (4) 6. Explain profit sanctuaries & cross-market subsidies in global strategy (4) 7. Why should CSR be incorporated into strategy making? (4) 8. What are the drivers of unethical corporate behaviour? (4) 9. List the risks of following a multiple strategy horizon policy. (4) 10. List the ten commandments of crafting business strategy. (10) Group II (Answer any 8 of the following questions from this section) 40 marks 11. Which are the principle areas wherein differences crop up across countries? (5) 12. Differentiate between the traits of moral, amoral & immoral managers. (5) 13. What could be the strategic muscle flexing options of an industry leader? (5) 14. How does weak business steer end game strategy towards higher SR returns? (5) 15. Mention some of the best offensive strategies that are used by runners-up firms. (5) 16. What sort of actions are normally taken under compliance approach to CSR. (5) 17. What are the important keys to success in high-velocity markets? (5) 18. In the battle over the net a firm's success depends on which factors? (5) 19. Under which conditions do foreign market activities get concentrated/ dispersed? (5) 20. Mention some of the strategic options open to firms in mature markets. (5)

126 Part B 20 marks 1. Tutorials individually allocated Internal Exam Answers 1) CSR to strike an appropriate balance between 2) Creating value for shareholders & 3) Obligation to contribute to larger social good 2) Deciding allocation of resources to be aimed at 3) Addressing social concerns 4) Bettering well being of society/environment 2 3) Characteristics of global competition are : 1) Vying for worldwide leadership in globally competitive industries, firm markets products in more than 50 countries with operations continually expanding into other markets 2) Competitive conditions across country markets are strongly linked with truly international market existig & many of same rivals compete in many of the same country markets 3) Firm's competitive position in one country is affected by that in other countries 4) Competitive advantage is based on firm's overall operations & global standing 4) 3 major ways of gaining international competitive advantage : 1) Activity allocation amongst nations to lower costs/achieve greater product differentiation based on both (unique) locational advantages & hedging of risk/ development of alternatives 3) Efficient/effective transfer of competitively valuable competencies & capabilities between company operations across countries 4) Coordinating dispersed activities in ways a domestic-only competitor cannot 5) Issues In setting ethical standards in corporate behaviour are : 1) Virtues as honesty, trustworthiness, fairness, avoiding unnecessary harm, respect for environment are universal basics. But cross-country variations (e.g. religious beliefs, historic traditions, social customs, prevailing political & economic issues)

127 exist in what societies generally agree on as right/wrong in conduct of business and in the degree to which certain behaviors are considered unethical. 4 | 2 schools of thought-Ethical Universalism holds ethical rules are cross-cultural as human nature is same all over while Ethical Relativism says different societal cultures & customs lead to divergent values & Principles of right/wrong. | Since what constitutes ethical/unethical conduct can vary per time, circumstances, local cultural norms, religion etc., no objective way exists to prove that some acts are correct and others not about business ethics. Thus there is merit in relativist view that proper ethics has to be viewed in context of a country's societal norms. | A thorny ethical problem often faced by MNCs is degree of cross-country variability in paying bribes/kickbacks as part of business dealings. Firms forbidding similar payments in their codes of conduct face stiff challenges in nations where payments are well entrenched as local custom. US law prohibiting firms from paying bribes anywhere, is adhered to more in violations. Different approaches to managing a company's ethical conduct are-unconcerned/non-issue, damage control, compliance & ethical culture styles. 6) Profit sanctuaries, valuable competitive asset in global growth, are country markets where firm has strong, protected, market position and derives substantial profits from. Usually, the most strategically crucial profit sanctuary is its home market. Cross-market subsidy is the paying for competitive offensives in one market with resources/profits diverted from others to try lure away customers with moves as lower prices, heavy advertising, discounted promotions etc. 7) Reasons for incorporating CSR into strategy making are | Business should promote the betterment of society, acting in ways to benefit all their stakeholders because it's the right thing to do! Based on an implied social contract, civil society grants a business the right to conduct its business affairs, agrees not to unreasonably restrain a business' pursuit of a fair profit. In return for a "license to operate," a business should act as a responsible citizen and do its fair share to promote the general welfare. | Generates internal benefits by enhancing recruitment of quality employees, increasing employee retention, improving productivity and lowering cost of recruitment & training.

128 | Lowers risk of reputation-damaging incidents, leading to increased buyer patronage. | Works in the best interest of shareholders by minimizing costly legal & regulatory actions, bringing in enhanced investments by socially conscious mutual funds/ investment managers and focusing on environment issues may improve earnings. 8) Drivers for unethical corporate behaviour are | Large numbers of immoral & amoral people in business | Overzealous pursuit of personal gain, wealth, other selfish interests | Heavy/unrelenting pressures on company managers to meet/beat earnings targets | Company cultures that place profits & performance above ethical behavior 9) Risks of pursuing multiple strategy horizons are : • Pursuing all desirable options may stretch firm's resources too thin • Pursuit of medium & long-jump initiatives may cause firm to stray too far from its core competencies • Competitive advantage may be difficult to achieve in medium & long-jump businesses that do not mesh well with firm's present resource strengths • Payoffs of long-jump initiatives may prove elusive 10) The 10 commandments of strategy making are : i. Always give top priority to crafting & executing strategic moves that improve firm's competitive position over long-term and that serve to establish it as an industry leader. ii. Be prompt in adapting & responding to changing market conditions, unmet customer needs & buyer wishes for something better, emerging technological alternatives and new initiatives of rivals. Responding late or with too little often puts a firm in the precarious position of playing catch-up . iii. Invest in creating sustainable competitive advantage, for it is the most dependable contributor to above-average profitability iv. Avoid strategies capable of succeeding only in the best of circumstances v. Don't underestimate either reactions or the commitment of rival firms 129 vi. Keep in mind that attacking competitive weakness is usually more profitable than attacking competitive strength vii. Be judicious in cutting prices without an established cost advantage viii. Employ bold strategic moves in pursuing differentiation strategies to open up very meaningful gaps in quality/service/advertising/other product attributes ix. Endeavour not to get "stuck back in the pack" with no coherent- long-term strategy or distinctive competitive position and little prospect of becoming an industry leader x. Be aware that aggressive strategic moves to wrest crucial market share away from rivals often provoke aggressive retaliation in form of a marketing "arms race" and/or price wars 11) Principle differences across political boundaries crop up in the areas of : | Govt' s economic policies, legal requirements; financial systems & political demands | Exchange. rates & fluctuations | Input {manufacturing} & distribution costs due to national variations in, wage rates, worker productivity, labour availability, inflation, •costs of energy & capital, access to finance, tax rates etc. | Market demographics-size, growth, distribution logistics, competition etc. | Cultural practices & lifestyle patterns | Buyer psychographics & behaviour patterns tastes & preferences, buying habits etc. | Driving Forces | Quality of business environment & enabling conditions vary ; suppliers, trade associations & complementary product makers often cluster operations in same general location | Trade policies differ on export restrictions, import price regulations, import tariffs/quotas, local content rules, technical standards, certifications, prior approval on capital spends, fund withdrawals, ownership (minority/majority) by local citizens 12) The moral managers is

130 I Dedicated to high standards of ethical behaviour both personally & officially I Demonstrates ethical leadership & becomes a. steward of ethical behaviour I Not only follows law in letter & spirit but usually operates beyond the call of duty Whereas the immoral one I Is ruled by greed I Focuses only on profits I Pursues selfish interest at cost of that of others I Actively opposes ethical behaviour I Wilfully ignores ethical principles at both individual/official levels I Considers legal standards as barriers Intentionally amoral ones I Believe business & ethics are not be mixed as latter inappropriate for different rules of competitive world I Don't factor in ethics into own actions as business is beyond morality I Right/wrong is law driven (extended upto limits law can be stretched to) Unintentional ones are I Blind to/casual about ethics of decision-making in business actions I Do necessary compliance with laws but limit themselves to accepting whatever is not illegal is allowed I Usually consider self as well-intentioned and/or ethical 13) Strategic options within muscle flexing suggest I Be quick to meet price cuts of rivals I If rivals boost advertising, counter with large-scale/intensive promotional campaigns I Offer better deals to rivals' major customers I Dissuade dealers from carrying rivals' products I Provide salespersons with documentation about weaknesses of competing products

131 I Make attractive offers to key rival executives I Use arm-twisting tactics to pressure present customers not to use rivals' products 14) End game steers a mid-course between status quo & exiting quickly, slowly trading market position for bigger SR cash flow/profit thru I Operating budget reduced to bones I Least reinvestment & none on new capital I Stringent internal cost cuts & controls I Gradual raising of prices I Quality reduction in non-visible ways I Curtailing of non-essential services I Shaving of maintenance & promotional costs 15) Some of the best "mover-&shaker" offensives for a runners-up firm can be I Pioneer a leapfrog technological breakthrough I Get new/better products into market ahead of rivals & build reputation for product leadership I Be more agile & innovative in adapting to evolving market conditions & customer needs I Forge attractive strategic alliances with key distributors &/or marketers of similar products I Find innovative ways to dramatically drive down costs to win customers from higher-cost rivals I Craft an attractive differentiation strategy 16) Actions normally undertaken under compliance approach are I Make code of ethics a visible & regular part of communications with employees I Implement ethics training programs I Appoint ethics committees under a chief ethics officer to give similar guidance I Install ethics hotlines to help detect & deter violations and institute formal procedures for investigating alleged violations

132 I Conduct ethics audits to measure & document compliance and institute ethics awards for outstanding efforts by employees 17) The keys to success in high-velocity markets are I Cutting-edge expertise I Agility Innovativeness I Resource flexibility I Opportunism I First-to-market capabilities I Turnaround time I Collaborations 18) If the internet is used as exclusive channel for all buyer-seller contact & transactions, success depends on firm's ability to incorporate features as : I Capability to deliver unique value to buyers I Value chains that enable differentiation/lower costs/better value-for-money/ combos I Refreshing, innovative, interesting, user friendly, comprehensive, secure website I Clear focus on limited no. of competencies & relatively specialized value chain activities I Minimal reliance on ancillary revenues I Innovative marketing techniques 19) Certain nations offering better resources, activity coordination or other valuable advantages, activities are usually concentrated when I Input costs are sizably lower in certain places I Sizable scale economies exist in the move I Learning curve associated with performing activity in single location is steep and dispersed when I They need to be performed close to buyers I Transportation cost, scale diseconomies or trade barriers make centralization

133 expensive I Buffers for fluctuating exchange rates, supply interruptions & adverse politics are needed 20) Competitive strategic options for firms in mature markets could be : I Pruning of marginal products & models I Emphasis on innovation in value chain I Strong focus on cost reduction I Increase of sales to present customers I Purchase of rivals at bargain prices I International expansion I Building of new, more flexible competitive capabilities

WRITING AN EFFECTIVE BUSINESS PLAN Suman K. Mukherjee, M.A. (Delhi), Ph.D., FIMA Director. Birla School of Management and *Smt. J. D. Birla Institute (Affiliated to Jadavpur University) Visiting Professor, Newcastle Business School, Northumbria University, UK

AGENDA u Why and when do you need a business plan u What does it do for you u What is in a business plan u Some DOs and DONTs u How do you get started WHAT IS A BUSINESS PLAN u A business plan describes a company's past, present, and future operations. It demonstrates how a desired investment or loan help satisfy company goals and reward the lender or the investor u A business plan is a selling document, a professional looking document, a

134 professional looking document, and is presented only to one lender/investor WHY & WHEN DO YOU NEED A BUSINESS PLAN? u HELPS YOU GET FINANCING u HELPS YOUR COMPANY KEEP ITS COURSE AND GROW WHY & WHEN DO YOU NEED A BUSINESS PLAN? u HELPS YOU DECIDE NOT TO GET INTO A BUSINESS u HELPS AND RETAIN GOOD PEOPLE WHAT'S IN A BUSINESS PLAN? (In plain English) u What will you make or serve . u Where will you do this u How many employees do (will) you have u What do they do and how is their work managed u Who will buy your services and products u How will you sell-distribute them u How will you make or serve them u How will you organize• your activities WHAT'S IN A BUSINESS PLAN? (describes table of contents and formats) WHAT'S INCLUDED IN A LETTER OF TRANSMITTAL? u Start why this plan is submitted to this individual or this institution ; if possible u Identify yourself and your business including the goals of the businesses u State why this letter-e.g., to request funding including the use of the money u Indicate amount and type of moeny and when you need it-include the equaity (money & 'sweat') already in the business u Indicate how will the money be used u Describe the potential of your business and how will the money help realize it u Demonstrate how will you pay back-include terms & conditions of financing as well as any collateral 135 u Close the letter WHAT'S IN/ON A COVER PAGE? u Company logo if possible-today, almost any computer can create a nice logo u Name of your business u Address, telephone, fax and email u Date your business was started u Name of the lender u Date business plan submitted u Copy number of the plan if multiple copies have been submitted SUMMARY PAGE (most plans are made in this section) u Description of the business & its 'history if any u How will goals could be achieved during the start-up, development, and the initial growth phase of the business u Brief descriptions of the market segments & how do you plan to reach them u How is your business organized & managed ; who owns what; especially important for a new start-up will be your team's relevant experiences u Summary of financial needs & application of funds-working capital & asset financing ; include capital expenditures at start-up u Pro-forma sales & profits with financing-show how financing will help business u Potential returns to the lender or the investors PRODUCTS & SERVICES (describe what you make, distribute, serve) u Proprietary position such as patents, copyrights u Special arrangements with customers, suppliers, others u Comparison with your competitors- why should anybody buy from you u Special features, new features, new product introduction quality, safety, convenience, service, cost through the life of the product OBJECTIVES (measurable with a time line) 136 u Market share u Sales and profits and their growth u Selected financial ratios-ROI, ROA, EPS u Quality objective/statement of intent u Intangible areas such as employee development and training u Cost objectives MARKET ANALYSIS (as complete as you can make it-state key assumptions) u Examine industry data including trends affecting your industry u Identify internal company strengths & weaknesses. u Identify external opportunities & threats u Target market who-where-how often-when-how many u Competition who-where-how do they compete identify your position do you know why customers buy from you u Projections including why you believe them ... State the assumptions behind the numbers HI-MED-LO u Show what would happen if you really made a mistake u Look for market research without pain MARKETING PLAN (as detailed as possible) u Overall strategy to position your product & services u Service-quality-price-other guarantees u Promotion & advertising Trade-Media-Shows u Distribution and Placement Manufacturer's rep-retail-contract-jobshop u Pricing strategy and decisions 137 cost plus-margin-percent markup-binding u Importance of market research u Needs are not markets SELLING PLAN (selling is not marketing and is just as important if note more) u Selling is part of marketing-Promotion u Unless you sell, you have no revenues u Direct versus indirect selling u Importance of effective communication skills u Importance of presentation skills u Importance of advertising u Track selling expenses OPERATIONS PLAN (often costs get out of hand in making selling & serving) u Suppliers u Facility and office space considerations Location, Buy/Lease, Capacity, Zoning, Maintenance u Equipment needs-identify special equipment u Employee skills, cost, and their availability-Governemnt assistance u Quality policies and procedures u Inventory philosophy u Managing back orders u Manufacturing processes if applicable FINANCIAL PLAN (don't be bashful) u Historical performance, if relevant & available-start-ups often do not have historical" performance record. Use industry averages to validate projections- RMA, others u Pro forma statements Monthly cash flow Quarterly for the 2" and 3" years 138 Profit and loss or income statements Balance sheet u Provide separate capital budgets u Start-up cost & how you plan to finance them u Personal financial statements u Financial controls, budgeting, cash management u Describe how you plan to use funds u Investor perspective includes ... getting money back Earning a return ORGANIZATION & MANAGEMENT (your plan is stronger with a strong team) FUNDING & FINANCING NEEDS (provide a range & most likely numbers ; explain why) u How much money do you need u How much money are you putting up u In what form and when Debt-Equity u How will funds be used u How will loans be repaid u What is the expected return to the lender; to your equity partner u What is your requested schedule and terms u Sensitivity-what is analyses-what happens to profits & cashflow when your projections are not met-show you understand the numbers-forecast are always wrong! RISKS, POTENTIAL PROBLEMS, & RESOLUTIONS (also known as contingency plans) u State major areas of concern Challenge your assumptions Ask through questions u State assumptions & their likelihood of occurrence \$ What are your plans to

139 avoid misfortune u To resolve them, if the problems occur u Are there any unusual costs you may incur u How will you manage these challenges u Describe your personal assessment about the challenges SUMMARY AND CONCLUSIONS (pay careful attention to how you plan to manage all this) u Where have you been u Where are you now u Where do you plan to be u How will you manage and achieve"your stated goals WHAT DO SUCCESSFUL START-UPS HAVE IN COMMON? (generic advice) u 6MS for HI PROBABILITY SUCCESSFUL START-UPS MARKET – MENTOR – MANAGEMENT – MONEY – MAKE – MOTIVATION u A VBhide's CONTRIBUTION – Get operational fast – Quick, break-even, cash generating projects – Offer high value products/services that can sustain direct personal selling – Don't try to hire THE crack team – Keep growth in check – Focus on cash – Cultivate banks early SOME DOs & DONTs (not all apply in all situations)

140 u Keep it short, avoid exaggeration u keep it oriented toward future u Highlight critical risks and discuss how you would resolve them u Give evidence of effective team u Stay focused u Keep the writing objective, even impersonal this is tricky, some readers prefer personal style. u Emphasize uniqueness of target market, if it's unique u Show your implementation plan u Employees accept & commit to vision u Use graphs & charts if useful-don't overdo AGAIN, u All aspects are important u Plan your contingencies u Measure measure measure u Control control control u Review review review u Update often, at least annually ADVICE FROM A BANKER FOR A START-UP (what to do when your company doesn't have a history) u Provide solid information about yourself-relevant industry experience and relevant skills and knowledge u Identify professionals who will be assisting you in the venture u Provide believable projections-there is nothing more damaging to your case than 'puffed-up' projections u By all means reveal your potential weaknesses-also add how you plan to remedy them or counter them u Check for inconsistencies-e.g. marketing projections not consistent with financial

141 needs u Finally, plan plan plan-there is no substitute for good planning ADVICE FROM ANOTHER BANKER-NOT A START-UP (what's in a typical business plan) u Three years financial projections with clear and reasonable assumptions u Tax returns for last three years u Balance sheet a start-up (this is not the same as the pro-forma) u Pro-forma balance sheet and P & L statements for three years u Personal experience of the principals in the chosen industry/market and personal statements about why this venture ADVICE FROM INTERNATIONAL BUSINESS CENTRE, MARYLAND (a compelling look into the future-practical dreaming) u What will your sales be in 10 years u Net profits in 10 years u How many employees will you have then u What will be your customer base u What will they buy from you in 10 years u Can you identify by name largest 10% of your present customers u can you succinctly say why people (should) buy from you CALVIN GALIC'S SEVEN DEADLY QUESTIONS (Mr. Galic is with the First National Bank of Maryland) u Exactly how much money are you looking for u Why do you need a bank loan & why from my bank u Exactly what will you do with the loan ; keep the miscellaneous entries small u What do you think the repayment term should be u What do you think the interest rate should be u What's the collateral and what's its worth u Will you give your guarantee

142 SUPPORTING DOCUMENTS AND APPENDICES (give a lot, but don't overdo it) u Corporate papers including by-laws u Resumes of key staff u Latest audited financial statement u Personal financial statement (2) u Terms and conditions of the loan u Letters of support and recommendation u Details of special production processes, patents u Purchase or sales agreements and contracts u Licenses and franchises u Insurance u Company brochures and sales promotion materials ONE MORE TIME (definition again) ONE MORE TIME, AGAIN (watch out for this five-minute reading) u Determine characteristics of the venture and its industry growth, size, competition, barriers to entry, profitability u Determine financial structure of the plan debt and equity u Read the latest balance sheet liquidity, net worth, debt/equity u Determine the quality of entrepreneurs in the venture sometimes the most important step u Establish what is different why should I do business with you, what do you have that others do not and will pay for u Read the entire plan over lightly get a feel, look at charts, graphs FINALLY, HOW DO I GET STARTED? (unfortunately, there is no magic formula) u START ON PAGE 1 u DIG IN u LEARN BY DOING INFORMATION SOURCES FOR MARKET ANALYSIS

143 Trade Journals-"Standard Rate and Data Sources" give names Trade Shows-your industry and your customers industries' Books about Leaders, Industry, Companies-check "Books in Print" Business Periodicals, Newsletters-there is an index at local library Cultivate Editors of Magazines and Associations-good networking Write to Big Companies for Licensing Technology Stock Analysts-they have reports on industries CMIE-market surveys Talk to Customers about your competition-they know Talk to your Suppliers-they also know about your competition & more INFORMATION SOURCES FOR MARKET ANALYSIS (contd.) SISI-West bengal Government sources Go to places where people in the industry socialize-network and alliances Talk, to manufacturers' representatives-ask lots of questions Local University-library, video tapes, market data, forecasts CMIE's periodical directories-monthly industry interests Our own Chamber of Commerce-referrals and networking Worldwide Infor Find out about special libraries Check infor on related products

Hit and source - focused comparison, Side by Side

Submitted text As student entered the text in the submitted document.

Matching text As the text appears in the source.

1/207	SUBMITTED TEXT	22 WORDS	71% MATCHING TEXT	22 WORDS
<p>All rights reserved. No part of this Book may be reproduced in any form without permission in writing from Netaji Subhas Open University.</p>		<p>All rights reserved. No part of this book may be reproduced in any form by or any other without permission in writing from V.M. Open University,</p>		
<p>W https://docplayer.net/165625259-Vardhaman-mahaveer-open-university-kota.html</p>				
2/207	SUBMITTED TEXT	14 WORDS	83% MATCHING TEXT	14 WORDS
<p>tried to anticipate the future through preparation of budgets, capital budgeting and management by objectives.</p>		<p>tried to anticipate the future through preparation of budgets and control systems such as capital budgeting and management by objectives (</p>		
<p>W https://zdocs.mx/doc/adl-15-corporate-policies-and-practices-material-o7p4ggk07xpj</p>				
3/207	SUBMITTED TEXT	29 WORDS	91% MATCHING TEXT	29 WORDS
<p>as "determination of the basic long term goals and objectives of the enterprise and the adoption of courses of action and the allocation of resources necessary for carrying out these goals.2"</p>		<p>as; determination of the basic long-term goals and objectives of enterprise and the adoption of the courses of action and the allocation of resources necessary for carrying out these goals.</p>		
<p>W https://hpuniv.ac.in/hpuniv/upload/uploadfiles/files/301.pdf</p>				
4/207	SUBMITTED TEXT	24 WORDS	92% MATCHING TEXT	24 WORDS
<p>problems of the firm specifically with the selection of the product mix which the firm will produce and the markets to which it will sell.</p>		<p>problems of the firm specifically with the selection of the product mix the firm will produce and the markets to which it will sell". ?</p>		
<p>W https://baou.edu.in/assets/pdf/PGDHR_103_slm.pdf</p>				
5/207	SUBMITTED TEXT	15 WORDS	100% MATCHING TEXT	15 WORDS
<p>simultaneously contributing to the solution of extremely complex ecological, moral, political, racial, sexual and social</p>		<p>simultaneously contributing to the solution of extremely complex ecological, moral, political, racial, sexual and social</p>		
<p>W https://zdocs.mx/doc/adl-15-corporate-policies-and-practices-material-o7p4ggk07xpj</p>				
6/207	SUBMITTED TEXT	18 WORDS	58% MATCHING TEXT	18 WORDS
<p>Objectives of Strategic Management Studies The objectives have been stated by authors such as Christensen and others and</p>		<p>Objectives of Business Policy: The objectives of business policy have been stated by authors such as Christensen and and</p>		
<p>W https://hpuniv.ac.in/hpuniv/upload/uploadfiles/files/301.pdf</p>				

7/207	SUBMITTED TEXT	30 WORDS	43% MATCHING TEXT	30 WORDS
<p>the environment helps in the determination of the mission, objectives and strategies of the organisation. 4. Crafting and implementation of strategy is the most important and difficult part of strategic management. The</p>		<p>the environment helps in the determination of the mission, objectives, and strategies of a firm. The learner appreciates the manner in which strategy is formulated. 4. The implementation of strategy is a complex issue and is variably the most difficult part of strategic management. Through the</p>		
<p>W https://hpuniv.ac.in/hpuniv/upload/uploadfiles/files/301.pdf</p>				

8/207	SUBMITTED TEXT	22 WORDS	43% MATCHING TEXT	22 WORDS
<p>to emphasise the role of future, long range planning was adopted. Long range planning was replaced by strategic planning and finally strategic management.</p>				
<p>SA JSNR_MBA_SSOU_Strategic Management_294.pdf (D29526817)</p>				

9/207	SUBMITTED TEXT	30 WORDS	71% MATCHING TEXT	30 WORDS
<p>lead to the skills of identifying factors relevant in decision making. The study of strengths and weaknesses of an organisation threats and opportunities (SWOP) in the environment and the crafting of</p>		<p>lead to the skill of identifying the factors relevant in decision making. The analysis of the strengths and weaknesses of an organization, the threats and opportunities present in the environment, and the suggestions of</p>		
<p>W https://hpuniv.ac.in/hpuniv/upload/uploadfiles/files/301.pdf</p>				

10/207	SUBMITTED TEXT	17 WORDS	82% MATCHING TEXT	17 WORDS
<p>a generalist. The generalist attitude enables the person to approach and assess a situation from all possible</p>		<p>a generalist. The generalist attitude enables the learners to approach and assess a situation from all possible</p>		
<p>W https://hpuniv.ac.in/hpuniv/upload/uploadfiles/files/301.pdf</p>				

11/207	SUBMITTED TEXT	16 WORDS	100% MATCHING TEXT	16 WORDS
<p>is able to function under conditions of partial ignorance by using his or her judgement and intuition. 3.</p>		<p>is able to function under conditions of partial ignorance by using his or her judgement and intuition.</p>		
<p>W https://hpuniv.ac.in/hpuniv/upload/uploadfiles/files/301.pdf</p>				

12/207	SUBMITTED TEXT	29 WORDS	81% MATCHING TEXT	29 WORDS
<p>approach to problem solving and decision making; it is possible to deal with a wide variety of situations. The development of this approach is an important objective to be achieved</p>				
<p>SA COM 331 Stretagic Management - I.pdf (D165094081)</p>				
13/207	SUBMITTED TEXT	33 WORDS	95% MATCHING TEXT	33 WORDS
<p>He defined strategy as "the determination of the basic long terms goals and objectives of an enterprise and the adoption of the courses of action and the allocation of resources necessary for carrying out these goals."</p>		<p>he defined strategy the determination of the basic long-term goals and objectives of an enterprise and the adoption of the courses of action and the allocation of resources necessary for carrying out these goals.</p>		
<p>W https://hpuniv.ac.in/hpuniv/upload/uploadfiles/files/301.pdf</p>				
14/207	SUBMITTED TEXT	22 WORDS	93% MATCHING TEXT	22 WORDS
<p>strategy consists of the combination of competitive moves and business approaches that managers employ to please customers, compete successfully, and achieve organisational objectives.</p>				
<p>SA arvin sir notes-SM-3.doc (D34946319)</p>				
15/207	SUBMITTED TEXT	16 WORDS	86% MATCHING TEXT	16 WORDS
<p>A plan or course of action or a set of decision rules creating a common</p>		<p>A plan or course of action or a set of decision rules forming a pattern or creating a common</p>		
<p>W https://hpuniv.ac.in/hpuniv/upload/uploadfiles/files/301.pdf</p>				
16/207	SUBMITTED TEXT	11 WORDS	100% MATCHING TEXT	11 WORDS
<p>common thread related to the organisation's activities which are derived from</p>		<p>common thread related to the organisation's activities which are derived from</p>		
<p>W https://hpuniv.ac.in/hpuniv/upload/uploadfiles/files/301.pdf</p>				
17/207	SUBMITTED TEXT	21 WORDS	93% MATCHING TEXT	21 WORDS
<p>position to a desired future state. (d) Concerned with the resources necessary for implementing a plan or following a course of action. 11</p>		<p>position to a desired future state, iv) Concerned with the resources necessary for implementing a plan or following a course of action</p>		
<p>W https://hpuniv.ac.in/hpuniv/upload/uploadfiles/files/301.pdf</p>				

18/207	SUBMITTED TEXT	19 WORDS	73% MATCHING TEXT	19 WORDS
<p>is an enduring statement of purpose that distinguishes one business from other similar firms. A mission statement identifies the</p>		<p>is an enduring statement of purpose that distinguishes one firm from other similar firms. Characteristics a Mission: A mission statement incorporates the</p>		
<p>W https://docplayer.net/165625259-Vardhaman-mahaveer-open-university-kota.html</p>				

19/207	SUBMITTED TEXT	26 WORDS	80% MATCHING TEXT	26 WORDS
<p>The common thread among the organisation's activities and product-markets as above that defines the essential nature of business that the organisation was or planned to be in future."</p>				
<p>SA STRATEGIC MANAGEMENT Module.docx (D15138597)</p>				

20/207	SUBMITTED TEXT	21 WORDS	97% MATCHING TEXT	21 WORDS
<p>strategy as : "A unified, comprehensive and integrated plan designed to assure that the basic objectives of the enterprise are achieved." Glueck</p>				
<p>SA COM 331 Stretagic Management - I.pdf (D165094081)</p>				

21/207	SUBMITTED TEXT	33 WORDS	87% MATCHING TEXT	33 WORDS
<p>wants to serve. It describes an organisation's purpose, customers, products or services, markets, philosophy and basic technology. In combination, these components of a mission statement answer a key question about an enterprise "What is our business?"</p>				
<p>SA MBA-301 Strategic Management.pdf (D164737008)</p>				

22/207	SUBMITTED TEXT	14 WORDS	62% MATCHING TEXT	14 WORDS
<p>the day-to-day affairs of the company. Oprational planning is lower level planning and is</p>		<p>the day to day affairs of the organization. It is basically lower level planning and is</p>		
<p>W https://zdocs.mx/doc/adl-15-corporate-policies-and-practices-material-o7p4ggk07xpj</p>				

23/207	SUBMITTED TEXT	50 WORDS	90% MATCHING TEXT	50 WORDS
<p>Management by Objectives as a process whereby the superior and subordinate managers of an organisation jointly identify its common goals, define each individual's major areas of responsibility in terms of results expected of him, and use these measures as guides for operating the unit .and assessing the contribution of each of its members.</p>		<p>Management by Objectives. According to Odiorne, MBO is a „process whereby the superior and subordinate managers of an organization jointly identify its common goals, define each individual"s major areas of responsibility in terms of results expected of him, and use these measures as guides for operating the unit and assessing the contribution of each of its members".</p>		
<p>W https://baou.edu.in/assets/pdf/PGDHR_103_slm.pdf</p>				

24/207	SUBMITTED TEXT	15 WORDS	100% MATCHING TEXT	15 WORDS
<p>goals, policies, procedures, rules and steps to be taken in putting a plan into action.</p>				
<p>SA arvin sir notes-SM-3.doc (D34946319)</p>				

25/207	SUBMITTED TEXT	20 WORDS	75% MATCHING TEXT	20 WORDS
<p>The obvious purpose of a mission statement is to make public what the firm stands for? What makes the firm</p>		<p>The obvious purpose of a mission statement is to give a public announcement to insiders and outsiders about what the firm stands for, what makes the firm</p>		
<p>W https://baou.edu.in/assets/pdf/PGDHR_103_slm.pdf</p>				

26/207	SUBMITTED TEXT	16 WORDS	81% MATCHING TEXT	16 WORDS
<p>is being satisfied) and alternative technologies (i.e. how the need is being satisfied). Fig. 1 Three Dimensions</p>		<p>is being satisfied and alternative technologies means how the need is being satisfied. The three dimensions</p>		
<p>W https://docplayer.net/165625259-Vardhaman-mahaveer-open-university-kota.html</p>				

27/207	SUBMITTED TEXT	13 WORDS	89% MATCHING TEXT	13 WORDS
<p>The strategy making/strategy implementing process consists of five interrelated managerial tasks. What are</p>				
<p>SA arvin sir notes-SM-3.doc (D34946319)</p>				

28/207**SUBMITTED TEXT**

38 WORDS

71% MATCHING TEXT

38 WORDS

a Mission Statement King and Cleland' recommended that organisations develop a written mission statement for the following reasons : 1. To ensure unanimity of purpose within organisation. 2. To provide a basis, or standard, for allocating organisational resources. 3. To establish a

SA Stgic Mgt.docx (D146772747)

29/207**SUBMITTED TEXT**

64 WORDS

82% MATCHING TEXT

64 WORDS

identify with the organisation's purpose and direction, and to deter those who cannot from participating further in the organisation's activities. 20 5. To facilitate the translation of objectives into a work structure involving the assignment of tasks to responsible elements within the organisation. 6. To specify organisational purposes and the translation of these purposes into objectives in such a way that cost time and performance parameters can be assessed and controlled.

SA arvin sir notes-SM-3.doc (D34946319)

30/207**SUBMITTED TEXT**

38 WORDS

89% MATCHING TEXT

38 WORDS

Vision "Strategic Vision is a roadmap of a company's future-providing specifies about technology and customer focus, the geographic and product markets to be pursued, the capabilities it plans to develop, and the kind of company that management is trying to create"

SA arvin sir notes-SM-3.doc (D34946319)

31/207**SUBMITTED TEXT**

19 WORDS

57% MATCHING TEXT

19 WORDS

Characteristics of Objectives 1. In an organisation objectives form a hierarchy i.e. objectives are structured in a hierarchy of importance. 22

Characteristics of Objectives: Objectives have the following Objectives Form a Hierarchy: In many organizations objectives are structured in a hierarchy of importance.

W <https://docplayer.net/165625259-Vardhaman-mahaveer-open-university-kota.html>

32/207	SUBMITTED TEXT	24 WORDS	100% MATCHING TEXT	24 WORDS
<p>Objectives are open-ended attributes that denote the future states or outcomes. Goals are close ended attributes which are precise and expressed in specific terms.</p> <p>SA arvin sir notes-SM-3.doc (D34946319)</p>				
33/207	SUBMITTED TEXT	14 WORDS	89% MATCHING TEXT	14 WORDS
<p>to remain viable, every organisation needs to set goals in all three time periods.</p> <p>to remain viable, every organization needs to set goals in all three time periods.</p> <p>W https://docplayer.net/165625259-Vardhaman-mahaveer-open-university-kota.html</p>				
34/207	SUBMITTED TEXT	18 WORDS	50% MATCHING TEXT	18 WORDS
<p>levels (e.g. higher or lower), nature (e.g. personal or organisational), ends (e.g. growth or survival). External factors e.g.</p> <p>SA COM 331 Stretagic Management - I.pdf (D165094081)</p>				
35/207	SUBMITTED TEXT	18 WORDS	77% MATCHING TEXT	18 WORDS
<p>Today, however, business is being asked to take on responsibility for the quality of life in our society.</p> <p>Today business is being asked to take on the responsibility of improving the quality of life in our society.</p> <p>W https://zdocs.mx/doc/adl-15-corporate-policies-and-practices-material-o7p4ggk07xpj</p>				
36/207	SUBMITTED TEXT	31 WORDS	54% MATCHING TEXT	31 WORDS
<p>Critical Success Factors (CSFs) Managers can initially identify the key factors which are needed to ensure organisational success. According to Ohmae' these critical success factors (CSFs) should form the basis for business strategy.</p> <p>Critical Success Factors (CSFs) While framing corporate objectives, managers may find it useful to identify the key factors, which are needed to be kept in view to ensure organizational success. According to Ohmae, these critical success factors (strategic factors or key factors for success) should form the basis for business strategy</p> <p>W https://baou.edu.in/assets/pdf/PGDHR_103_slm.pdf</p>				
37/207	SUBMITTED TEXT	19 WORDS	75% MATCHING TEXT	19 WORDS
<p>What Objectives are Set Objectives have to be set in all those performance areas which are of strategic importance to</p> <p>SA COM 331 Stretagic Management - I.pdf (D165094081)</p>				

38/207	SUBMITTED TEXT	17 WORDS	94% MATCHING TEXT	17 WORDS
<p>particular area and exploit the opportunities available therein to its advantage. This involves a three step process</p> <p>W https://baou.edu.in/assets/pdf/PGDHR_103_slm.pdf</p>		<p>particular area and exploit the opportunities available therein to its advantage. This, of course, involves a three-step process: 61 1.</p>		
39/207	SUBMITTED TEXT	40 WORDS	77% MATCHING TEXT	40 WORDS
<p>What does it take to be successful in this business (Generate CSF) ii) What should the organisations objectives and goals be with regard to CSFs. (Transforming CSFs into objectives) iii) How will we know whether the organisation has been successful on this factor? (</p> <p>W https://baou.edu.in/assets/pdf/PGDHR_103_slm.pdf</p>		<p>What does it take to be successful in this business> (Generate CSFs) b. What should the organization"s objectives and goals be with regard to CSFs? (Drawing CSFs into objectives). How will we know whether the organization has been successful on this factor</p>		
40/207	SUBMITTED TEXT	17 WORDS	88% MATCHING TEXT	17 WORDS
<p>as an economic enterprise to provide goods and services for public consumption and a profit for the</p> <p>W https://baou.edu.in/assets/pdf/PGDHR_103_slm.pdf</p>		<p>as an economic institution to provide wanted goods and services for public consumption and a profit for the</p>		
41/207	SUBMITTED TEXT	19 WORDS	100% MATCHING TEXT	19 WORDS
<p>market standing, innovation, productivity, physical and financial resources, profitability, manager performance and development, worker performance and attitude and public responsibility?</p> <p>SA COM 331 Stretagic Management - I.pdf (D165094081)</p>				
42/207	SUBMITTED TEXT	13 WORDS	100% MATCHING TEXT	13 WORDS
<p>D. F. Abell Defining the business : The Starting point of Strategic Planning,</p> <p>W https://docplayer.net/165625259-Vardhaman-mahaveer-open-university-kota.html</p>		<p>D.F. Abell, Defining the business: The Starting Point of Strategic Planning,</p>		
43/207	SUBMITTED TEXT	14 WORDS	96% MATCHING TEXT	14 WORDS
<p>need not affect all the firms in a particular industry in the same way.</p> <p>W https://baou.edu.in/assets/pdf/PGDHR_103_slm.pdf</p>		<p>need not necessarily affect all the firms in a particular industry in the same way.</p>		

44/207	SUBMITTED TEXT	17 WORDS	73% MATCHING TEXT	17 WORDS
<p>Today, however, business is being asked to take responsibility for the quality of life in our society.</p>		<p>Today business is being asked to take on the responsibility of improving the quality of life in our society.</p>		
<p>W https://zdocs.mx/doc/adl-15-corporate-policies-and-practices-material-o7p4ggk07xpj</p>				
45/207	SUBMITTED TEXT	15 WORDS	90% MATCHING TEXT	15 WORDS
<p>picture. of what opportunities and threats are faced by the organisation at a given time.</p>		<p>picture of what opportunities and threats are faced by the organization at a given time.</p>		
<p>W https://docplayer.net/165625259-Vardhaman-mahaveer-open-university-kota.html</p>				
46/207	SUBMITTED TEXT	18 WORDS	91% MATCHING TEXT	18 WORDS
<p>aware of the factors that affect environmental appraisal, identifying the environmental factors and structuring the outcomes of</p>		<p>aware of the factors that affect environmental appraisal identifying the environmental factors and structuring the results of</p>		
<p>W https://docplayer.net/165625259-Vardhaman-mahaveer-open-university-kota.html</p>				
47/207	SUBMITTED TEXT	15 WORDS	65% MATCHING TEXT	15 WORDS
<p>strengths and weaknesses and distinctive competence of an organisation determine the nature of its internal environment:</p>		<p>strengths and weaknesses, synergistic effects and competencies of an organization determine the nature of its internal environment.</p>		
<p>W https://docplayer.net/165625259-Vardhaman-mahaveer-open-university-kota.html</p>				
48/207	SUBMITTED TEXT	12 WORDS	100% MATCHING TEXT	12 WORDS
<p>the aggregate of all conditions, events and influences that surround and affect it."</p>				
<p>SA COM 331 Stretagic Management - I.pdf (D165094081)</p>				
49/207	SUBMITTED TEXT	28 WORDS	100% MATCHING TEXT	28 WORDS
<p>A distinctive competence is "any advantage a company has over its competitors because it can do something which they cannot or it can do something better than they can".</p>		<p>A distinctive competence is any advantage a company has over its competitors because it can do something which they cannot or it can do something better than they can.</p>		
<p>W https://docplayer.net/165625259-Vardhaman-mahaveer-open-university-kota.html</p>				

50/207	SUBMITTED TEXT	13 WORDS	88% MATCHING TEXT	13 WORDS
	relate to the availability, usage and management of funds and all related aspects		relate to the availability, usage, and management of funds, and all allied aspects	
	W https://docplayer.net/165625259-Vardhaman-mahaveer-open-university-kota.html			
51/207	SUBMITTED TEXT	10 WORDS	100% MATCHING TEXT	10 WORDS
	SWOT is the acronym for strengths, weaknesses, opportunities• and threats.		SWOT is the acronym for 'strengths, weaknesses, opportunities and threats'.	
	W https://zdocs.mx/doc/adl-15-corporate-policies-and-practices-material-o7p4ggk07xpj			
52/207	SUBMITTED TEXT	33 WORDS	87% MATCHING TEXT	33 WORDS
	What makes an opportunity or a threat relevant is important to the firm and its likelihood of occurring . In order to carry out a SWOT, the firm should look into certain key issues :		What makes an opportunity or a threat relevant is its importance to the firm and its likelihood of occurring. In order to carry out a good SWOT, the firm should look into certain key issues (
	W https://baou.edu.in/assets/pdf/PGDHR_103_slm.pdf			
53/207	SUBMITTED TEXT	10 WORDS	96% MATCHING TEXT	10 WORDS
	Below average marketing skills? Unable to finance needed changes in strategy? External Analysis		Below-average marketing skills? - Unable to finance needed changes in strategy? - Other? External Analysis	
	W https://www.mtcglobal.org/uploads/3_n.pdf.pdf			
54/207	SUBMITTED TEXT	31 WORDS	100% MATCHING TEXT	31 WORDS
	Grand strategy is the general plan of major action by which a firm intends to achieve its long term goals. It provides basic direction for the strategic actions of a firm.		Grand strategy is the general plan of major action by which a firm intends to achieve its long-term goals. It provides basic direction for the strategic actions of a firm.	
	W https://www.mtcglobal.org/uploads/3_n.pdf.pdf			
55/207	SUBMITTED TEXT	11 WORDS	100% MATCHING TEXT	11 WORDS
	strategies, fall into four general categories : growth/expansion, stability, retrenchment and combination.		strategies fall into four general categories: growth/expansion, stability, retrenchment and combination.	
	W https://www.mtcglobal.org/uploads/3_n.pdf.pdf			

56/207	SUBMITTED TEXT	10 WORDS	100% MATCHING TEXT	10 WORDS
Retrenchment Strategy Retrenchment Strategy is a corporate level, defensive strategy		Retrenchment Strategy Retrenchment strategy is a corporate level, defensive strategy		
W https://www.mtcglobal.org/uploads/3_n.pdf.pdf				
57/207	SUBMITTED TEXT	18 WORDS	97% MATCHING TEXT	18 WORDS
Managers choose retrenchment when they think that the firm is neither competitive enough to succeed through counter attack		Managers choose retrenchment when they think that the firm is neither competitive enough to succeed through a counter attack (
W https://www.mtcglobal.org/uploads/3_n.pdf.pdf				
58/207	SUBMITTED TEXT	17 WORDS	90% MATCHING TEXT	17 WORDS
Natural urge : A healthy firm normally has a natural urge for growth. Opportunities provide great stimulus				
SA MBA-301 Strategic Management.pdf (D164737008)				
59/207	SUBMITTED TEXT	16 WORDS	91% MATCHING TEXT	16 WORDS
to its existing business definition either in terms of customer groups, customer functions or alternative technologies, the		to its current business definition either in terms of customer groups, customer functions or alternative technologies. The		
W https://zdocs.mx/doc/adl-15-corporate-policies-and-practices-material-o7p4ggk07xpj				
60/207	SUBMITTED TEXT	22 WORDS	71% MATCHING TEXT	22 WORDS
adopts a strategy in association with other entities. ii) Related/Unrelated Dimension a) When an organisation adopts a strategy that is related to its existing business				
SA JSNR_MBA_SSOU_Strategic Management_294.pdf (D29526817)				
61/207	SUBMITTED TEXT	12 WORDS	83% MATCHING TEXT	12 WORDS
an organisation adopts offensive strategy in anticipation of environmental threats and opportunities,				
SA JSNR_MBA_SSOU_Strategic Management_294.pdf (D29526817)				

62/207	SUBMITTED TEXT	20 WORDS	71% MATCHING TEXT	20 WORDS
<p>the new business will have no relationship to the company's current 44 technology, products or markets e.g. WIPRO which is</p>				
<p>SA MBA-301 Strategic Management.pdf (D164737008)</p>				

63/207	SUBMITTED TEXT	14 WORDS	75% MATCHING TEXT	14 WORDS
<p>control of one which may or may not be one of the two original</p>				
<p>SA all units for plagi.doc (D142460139)</p>				

64/207	SUBMITTED TEXT	22 WORDS	81% MATCHING TEXT	22 WORDS
<p>for Merger : For a merger to take place, two firms have to act. One is the buyer and another is the seller.</p>				
<p>for merger: For a merger to take place, two organizations have to act. One is the buyer organization and the other is the seller.</p>				
<p>W https://hpuniv.ac.in/hpuniv/upload/uploadfiles/files/301.pdf</p>				

65/207	SUBMITTED TEXT	33 WORDS	92% MATCHING TEXT	33 WORDS
<p>Horizontal Merger: It is a merger between two or more companies that compete in the same industry. It is a merger with direct competitor and hence expands the firm's operations in the same industry.</p>				
<p>SA 179E1230-Global Strategic Management.pdf (D165203115)</p>				

66/207	SUBMITTED TEXT	20 WORDS	86% MATCHING TEXT	20 WORDS
<p>s stock. 2. To increase the growth rate and make a good investment. 3. To improve stability of earnings and sales. 4.</p>				
<p>s stock. ii) To increase the growth rate and make a good investment. iii) To improve stability of earning and sales</p>				
<p>W https://hpuniv.ac.in/hpuniv/upload/uploadfiles/files/301.pdf</p>				

67/207	SUBMITTED TEXT	12 WORDS	95% MATCHING TEXT	12 WORDS
<p>balance, complete, or diversify product line. 5. To reduce competition. 6. To acquire</p>				
<p>balance, complete, or diversify product line v) To reduce competition vi) To acquire</p>				
<p>W https://hpuniv.ac.in/hpuniv/upload/uploadfiles/files/301.pdf</p>				

68/207	SUBMITTED TEXT	14 WORDS	82% MATCHING TEXT	14 WORDS
<p>needed resource quickly. 7. To avail tax concessions and benefits. 8. To take advantages of synergy.</p>		<p>needed resources vii) To avail tax concessions and benefits viii) To take advantages of synergy</p>		
<p>W https://hpuniv.ac.in/hpuniv/upload/uploadfiles/files/301.pdf</p>				
69/207	SUBMITTED TEXT	33 WORDS	85% MATCHING TEXT	33 WORDS
<p>To increase the value of the owner's stock and investment. 2. To increase the growth rate. 3. To acquire resources to stabilise operations. 4. To benefit from tax legislation. 5. To deal with top management succession problem.</p>		<p>To increase the value of the owner's stock and investments. x) To increase the growth rate. 15 xi) To acquire resources to stabilize operations. xii) To benefit from tax legislation xiii) To deal with top management succession problem. 3.6</p>		
<p>W https://hpuniv.ac.in/hpuniv/upload/uploadfiles/files/301.pdf</p>				
70/207	SUBMITTED TEXT	66 WORDS	73% MATCHING TEXT	66 WORDS
<p>economies of scale and reduce competitor. 2. Vertical Merger : It is a merger between two or more companies which are operating in the same industry but at different stages of production or distribution system. If a company takes over its supplier/producers of raw material, then it may result in backward integration of its activities. If on the other hand, a company take over the retailer or customer company</p>				
<p>SA 179E1230-Global Strategic Management.pdf (D165203115)</p>				
71/207	SUBMITTED TEXT	10 WORDS	100% MATCHING TEXT	10 WORDS
<p>made by fixing the price to be paid for share transfer.</p>				
<p>SA MBA SEM-III CORPORATE PLANNING AND STRATEGIC MANAGEMENT.pdf (D142236352)</p>				
72/207	SUBMITTED TEXT	17 WORDS	100% MATCHING TEXT	17 WORDS
<p>Joint ventures are a special case of consolidation where two or more companies form a temporary partnership (</p>		<p>Joint ventures are a special case of consolidation where two or more companies form a temporary partnership</p>		
<p>W https://www.mtcglobal.org/uploads/3_n.pdf</p>				
73/207	SUBMITTED TEXT	21 WORDS	100% MATCHING TEXT	21 WORDS
<p>Joint ventures are an excellent way to share costs, spread risks and combine expertise in case of new projects involving huge outlays.</p>		<p>Joint ventures are an excellent way to share costs, spread risks and combine expertise in case of new projects involving huge outlays.</p>		
<p>W https://baou.edu.in/assets/pdf/PGDHR_103_slm.pdf</p>				

74/207	SUBMITTED TEXT	26 WORDS	83% MATCHING TEXT	26 WORDS
<p>shares are picked up from the open market and with the help of other majority shareholders a bid is made to enter the company's board and to</p>				
<p>SA MBA SEM-III CORPORATE PLANNING AND STRATEGIC MANAGEMENT.pdf (D142236352)</p>				
75/207	SUBMITTED TEXT	19 WORDS	100% MATCHING TEXT	19 WORDS
<p>Strategies A turnaround is designed to reverse a negative trend and bring the organisation back to normal health and profitability.</p>		<p>Strategies A turnaround is designed to reverse a negative trend and bring the organisation back to normal health and profitability.</p>		
<p>W https://www.mtcglobal.org/uploads/3_n.pdf.pdf</p>				
76/207	SUBMITTED TEXT	26 WORDS	88% MATCHING TEXT	26 WORDS
<p>This is done through an attempt to find out the problem areas and diagnose the causes of the problems. Then steps are taken to rectify the</p>		<p>This is done through an attempt to find out the problem areas and diagnose the causes of the problems. Next, steps are taken to solve the</p>		
<p>W https://flihtml5.com/vvba/nwmm/basic/301-350</p>				
77/207	SUBMITTED TEXT	14 WORDS	71% MATCHING TEXT	14 WORDS
<p>getting rid of unprofitable products, and such other useful ways of making the organisation more efficient.</p>		<p>getting rid of unprofitable products, trimming the workforce, pruning distribution outlets and finding other useful ways of making the organisation more efficient.</p>		
<p>W https://www.mtcglobal.org/uploads/3_n.pdf.pdf</p>				
78/207	SUBMITTED TEXT	26 WORDS	75% MATCHING TEXT	26 WORDS
<p>There are certain conditions or indicators which point out that a turnaround is needed if the organisation has to survive. These negative inputs are (i) Continuous cash flow</p>		<p>There are certain conditions or indicators which point out that a turnaround is needed if the organization has to survive. These danger signs are: 1. Persistent negative cash flow 2.</p>		
<p>W https://hpuniv.ac.in/hpuniv/upload/uploadfiles/files/301.pdf</p>				
79/207	SUBMITTED TEXT	15 WORDS	86% MATCHING TEXT	15 WORDS
<p>In case of liquidation bankruptcy, the liquidating firm agrees to distribute all assets to creditors.</p>		<p>In case of a more serious one, liquidation bankruptcy , the liquidating firm agrees to distribute all assets to creditors,</p>		
<p>W https://www.mtcglobal.org/uploads/3_n.pdf.pdf</p>				

80/207	SUBMITTED TEXT	56 WORDS	93% MATCHING TEXT	56 WORDS
<p>When an activity is uneconomical for an organisation to do alone. 48 2. When the risk of business has to be shared and, therefore, is reduced for the participating firms. 3. When the distinctive competence of two or more organisations can be brought together. 4. When setting up an organisation requires surmounting hurdles such as import quotas, tariffs, nationalistic political</p> <p>SA Stgic Mgt.docx (D146772747)</p>				
81/207	SUBMITTED TEXT	19 WORDS	85% MATCHING TEXT	19 WORDS
<p>of those parts or units of a business that no longer contribute to or fit the firm's distinctive competence. The</p> <p>W https://www.mtcglobal.org/uploads/3_n.pdf.pdf</p> <p>of those units or parts of a business that no longer contribute to or fit the firm's distinctive competence. The</p>				
82/207	SUBMITTED TEXT	33 WORDS	73% MATCHING TEXT	33 WORDS
<p>when company's shareholders are bought out by the management and other investors using borrowed funds. (c) Spin-off, in this case the parent company creates a new company, then distributes shares to shareholders of the parent</p> <p>W https://www.mtcglobal.org/uploads/3_n.pdf.pdf</p> <p>when a company's shareholders are bought out (hence buyout) by the company's management and other private investors using borrowed funds (hence leveraged). In the last case, the parent company creates a new company, then distributes its shares to shareholders of the parent.</p>				
83/207	SUBMITTED TEXT	17 WORDS	90% MATCHING TEXT	17 WORDS
<p>Business Definition : As discussed earlier business determines the scope of activities that can be undertaken by</p> <p>W https://baou.edu.in/assets/pdf/PGDHR_103_slm.pdf</p> <p>Business definition, as discussed earlier, determines the scope of activities that can be undertaken by</p>				
84/207	SUBMITTED TEXT	12 WORDS	100% MATCHING TEXT	12 WORDS
<p>compels managers to measure their performance and to audit their gap closing capabilities.</p> <p>W https://baou.edu.in/assets/pdf/PGDHR_103_slm.pdf</p> <p>compels managers to measure their performance and to audit their gap closing capabilities (</p>				
85/207	SUBMITTED TEXT	21 WORDS	97% MATCHING TEXT	21 WORDS
<p>It tries to answer three basic questions : (i) who is being satisfied (ii) what is being satisfied and (iii) how</p> <p>SA MBA-301 Strategic Management.pdf (D164737008)</p>				

86/207	SUBMITTED TEXT	11 WORDS	100% MATCHING TEXT	11 WORDS
<p>One or more strategies have to be chosen for implementation.</p> <p>W https://docplayer.net/165625259-Vardhaman-mahaveer-open-university-kota.html</p>		<p>One or more strategies have to be chosen for implementation.</p>		
87/207	SUBMITTED TEXT	35 WORDS	61% MATCHING TEXT	35 WORDS
<p>strategy chosen clearly identifiable? Is it adequately clear to those who implement it? ii) Does the strategy fully exploit the environmental opportunities? iii) Is it consistent with the resources of the firm and its competitive advantage and core</p> <p>W https://zdocs.mx/doc/adl-15-corporate-policies-and-practices-material-o7p4ggk07xpj</p>		<p>strategy chosen clearly identifiable? Is it clear to those who have to deal with it subsequently? Does the strategy fully exploit the opportunities present in the environment? Is it consistent with the resources of the firm and its competitive advantages and core</p>		
88/207	SUBMITTED TEXT	14 WORDS	86% MATCHING TEXT	14 WORDS
<p>in an organisation's portfolio on basis of relative market share and market growth rate.</p> <p>W https://baou.edu.in/assets/pdf/PGDHR_103_slm.pdf</p>		<p>in an organization's portfolio on the basis of relative market share and market growth rate.</p>		
89/207	SUBMITTED TEXT	11 WORDS	100% MATCHING TEXT	11 WORDS
<p>The concepts of GAP Analysis and Business Definition would help</p> <p>SA MBA-301 Strategic Management.pdf (D164737008)</p>				
90/207	SUBMITTED TEXT	16 WORDS	90% MATCHING TEXT	16 WORDS
<p>The question mark business is risky as there is already a leader in that business.</p> <p>W https://baou.edu.in/assets/pdf/PGDHR_103_slm.pdf</p>		<p>The question mark business is risky, since there is already a leader in that business.</p>		
91/207	SUBMITTED TEXT	10 WORDS	100% MATCHING TEXT	10 WORDS
<p>in order to keep pace with the fast growing market.</p> <p>W https://baou.edu.in/assets/pdf/PGDHR_103_slm.pdf</p>		<p>in order to keep pace with the fast- growing market.</p>		

92/207	SUBMITTED TEXT	12 WORDS	100% MATCHING TEXT	12 WORDS
<p>Usually dogs are harvested, divested or liquidated, if turnaround is not possible.</p> <p>W https://baou.edu.in/assets/pdf/PGDHR_103_slm.pdf</p>		<p>Usually dogs are harvested, divested or liquidated (if turnaround is not possible).</p>		
93/207	SUBMITTED TEXT	16 WORDS	75% MATCHING TEXT	16 WORDS
<p>in the 1970s with the help of Mckinsey & Co (also called Mckinsey Screen or</p> <p>W https://baou.edu.in/assets/pdf/PGDHR_103_slm.pdf</p>		<p>in the 1970s with the help of Mckinsey & Company (also called GE Business Screen or</p>		
94/207	SUBMITTED TEXT	17 WORDS	73% MATCHING TEXT	17 WORDS
<p>the mix of business units and product lines that fit together in a systematic manner to provide</p> <p>SA Management_Procedures_and_Strategiesgautier.pdf (D1741048)</p>				
95/207	SUBMITTED TEXT	12 WORDS	88% MATCHING TEXT	12 WORDS
<p>and the competitive position of different business in a company's corporate portfolio.</p> <p>W https://docplayer.net/165625259-Vardhaman-mahaveer-open-university-kota.html</p>		<p>and the competitive position of different businesses in a company's corporate portfolio.</p>		
96/207	SUBMITTED TEXT	16 WORDS	83% MATCHING TEXT	16 WORDS
<p>that are about to accelerate their growth. The product-market evolution matrix also called life-cycle portfolio matrix</p> <p>W https://baou.edu.in/assets/pdf/PGDHR_103_slm.pdf</p>		<p>that are about to accelerate their growth, Hofer has suggested a further refinement. The product-market evolution matrix (also called life-cycle portfolio matrix)</p>		
97/207	SUBMITTED TEXT	36 WORDS	74% MATCHING TEXT	36 WORDS
<p>plotted according to firm's business strength or competitive position and the industry's stage in the product life cycle. It is similar to GE Screen, excepting here second dimension uses the product- market evolution stage instead of the industry attractiveness.</p> <p>W https://baou.edu.in/assets/pdf/PGDHR_103_slm.pdf</p>		<p>plotted according to the firm's business strength or competitive position and the industry's stage in the product- market life cycle. The firm's position is similar to the business strength dimension in the GE Screen. The second dimension uses the product market evolution stage instead of the industry attractiveness (</p>		

98/207	SUBMITTED TEXT	18 WORDS	77% MATCHING TEXT	18 WORDS
<p>is a well established one, but moving towards maturity. Business F is slowly losing competitive position but is</p>		<p>is a well-established one, of course, moving toward maturity. Business F is slowly losing its competitive position but is</p>		
<p>W https://baou.edu.in/assets/pdf/PGDHR_103_slm.pdf</p>				

99/207	SUBMITTED TEXT	19 WORDS	62% MATCHING TEXT	19 WORDS
<p>in determining where a business fits on the two dimensions. (iii) The three categories of industry attractiveness and business strength</p>				
<p>SA Management_Procedures_and_Strategiesgautier.pdf (D1741048)</p>				

100/207	SUBMITTED TEXT	41 WORDS	100% MATCHING TEXT	41 WORDS
<p>strategic position of the industry. The company's strategic position is determined on the basis of financial strength (ROI, leverage, liquidity etc.) and competitive advantage (market share, product quality etc). The industry's strategic position is based on industry strength (growth and profit potential, etc)</p>		<p>strategic position of the industry. The company's strategic position is determined on the basis of financial strength (ROI, leverage, liquidity etc.) and competitive advantage (market share, product quality etc.). The industry's strategic position is based on industry strength (growth and profit potential etc.).</p>		
<p>W https://docplayer.net/165625259-Vardhaman-mahaveer-open-university-kota.html</p>				

101/207	SUBMITTED TEXT	11 WORDS	87% MATCHING TEXT	11 WORDS
<p>Four strategic postures-aggressive, defensive, conservative, and competitive are recommended based on</p>		<p>Four strategic postures - aggressive, defensive, conservative and competitive - are based on</p>		
<p>W https://docplayer.net/165625259-Vardhaman-mahaveer-open-university-kota.html</p>				

102/207	SUBMITTED TEXT	17 WORDS	71% MATCHING TEXT	17 WORDS
<p>understanding of business leading to better strategic decisions and availability of an interesting vocabulary and graphic representations for communication.</p>		<p>understanding of businesses, which leads to better strategic decisions, and the availability of an interesting vocabulary and graphic aids for communication.</p>		
<p>W https://hpuniv.ac.in/hpuniv/upload/uploadfiles/files/301.pdf</p>				

103/207	SUBMITTED TEXT	27 WORDS	82% MATCHING TEXT	27 WORDS
<p>parameters, like the actual growth rate of business pose problems. There are also organisational and motivational problems arising due to the adoption of recommendations emerging out of portfolio analysis.</p>		<p>parameters like the actual growth rate of a business. There are also organizational and motivational problems arising due to the adoption of recommendations emerging out of portfolio analysis.</p>		
<p>W https://hpuniv.ac.in/hpuniv/upload/uploadfiles/files/301.pdf</p>				
104/207	SUBMITTED TEXT	18 WORDS	91% MATCHING TEXT	18 WORDS
<p>strategic choice at the business unit level has to be made 59 taking the industry environment and the</p>		<p>Strategic choice at the business unit level has to be made taking the industry environment (where the</p>		
<p>W https://baou.edu.in/assets/pdf/PGDHR_103_slm.pdf</p>				
105/207	SUBMITTED TEXT	25 WORDS	66% MATCHING TEXT	25 WORDS
<p>Directional Policy Matrix (DPM) DPM was developed by Shell Chemicals, U. K. I uses two dimensions-"business sector prospects" and "company's competitive abilities". Business sector prospects are</p>				
<p>SA MBA-301 Strategic Management.pdf (D164737008)</p>				
106/207	SUBMITTED TEXT	17 WORDS	68% MATCHING TEXT	17 WORDS
<p>has to carry out-a SWOT analysis to find out its own standing, on relative terms, in the industry.</p>		<p>has to carry out a SWOT analysis to find where it stands, on relative terms, in the industry.</p>		
<p>W https://baou.edu.in/assets/pdf/PGDHR_103_slm.pdf</p>				
107/207	SUBMITTED TEXT	16 WORDS	70% MATCHING TEXT	16 WORDS
<p>of Portfolio Analysis Portfolio analysis helps a multi product, multi business firm to commit its scarce resources</p>				
<p>SA arvin sir notes-SM-3.doc (D34946319)</p>				
108/207	SUBMITTED TEXT	33 WORDS	100% MATCHING TEXT	33 WORDS
<p>proposed that business-level strategies are the result of five competitive forces in the company's environment such as potential new entrants, bargaining power of buyers, bargaining power of suppliers, threat of substitute products and rivalry among competitors.</p>		<p>proposed that business-level strategies are the result of five competitive forces in the company's environment such as potential new entrants, bargaining power of buyers, bargaining power of suppliers, threat of substitute products and rivalry among competitors.</p>		
<p>W https://baou.edu.in/assets/pdf/PGDHR_103_slm.pdf</p>				

109/207	SUBMITTED TEXT	23 WORDS	89% MATCHING TEXT	23 WORDS
<p>strategic group. Many firms believe that they can win by performing the same activities more effectively than their competitors, but competitors quickly copy</p>		<p>strategic profiles. Many firms generally believe that they can win by performing the same activities more effectively than their competitors; but competitors can quickly copy</p>		
<p>W https://baou.edu.in/assets/pdf/PGDHR_103_slm.pdf</p>				
110/207	SUBMITTED TEXT	21 WORDS	92% MATCHING TEXT	21 WORDS
<p>A firm can claim that it has a strategy when it performs different activities from rivals or perform similar activities in</p>		<p>A firm can claim that it has a strategy when it —performs different activities from rivals or performs similar activities in</p>		
<p>W https://baou.edu.in/assets/pdf/PGDHR_103_slm.pdf</p>				
111/207	SUBMITTED TEXT	21 WORDS	86% MATCHING TEXT	21 WORDS
<p>industry and to understand the structure and dynamics of the industry with a view to finding out the major strategic alternatives that</p>				
<p>SA MBA SEM-III CORPORATE PLANNING AND STRATEGIC MANAGEMENT.pdf (D142236352)</p>				
112/207	SUBMITTED TEXT	12 WORDS	100% MATCHING TEXT	12 WORDS
<p>A competitor response profile can be built on the basis of</p>		<p>A competitor response profile can be built on the basis of</p>		
<p>W https://hpuniv.ac.in/hpuniv/upload/uploadfiles/files/301.pdf</p>				
113/207	SUBMITTED TEXT	17 WORDS	100% MATCHING TEXT	17 WORDS
<p>five forces model of industry competition, a firm can analyse its critical strengths and weaknesses, its position</p>				
<p>SA MBA SEM-III CORPORATE PLANNING AND STRATEGIC MANAGEMENT.pdf (D142236352)</p>				
114/207	SUBMITTED TEXT	52 WORDS	70% MATCHING TEXT	52 WORDS
<p>a firm seeks to understand : l What drives the competitor, as shown by its future objectives l What the competitor is doing and can do, as is revealed by its current strategy l What the competitor believes about itself, as shown by its assumptions l What the competitor's capabilities are, as shown by its</p>		<p>a firm seeks to understand : o What drives the competitor, as shown by its future objectives? o What the competitor is doing and can do? As it revealed by its current strategy. o What the competitor believes about itself, as shown by its assumptions, and o What the competitor's capabilities are, as shown by its</p>		
<p>W https://baou.edu.in/assets/pdf/PGDHR_103_slm.pdf</p>				

115/207	SUBMITTED TEXT	20 WORDS	52% MATCHING TEXT	20 WORDS
<p>oligopolistic industries where there are few powerful competitors and each firm wants to know more about the strategic moves of</p>		<p>oligopolistic industries where there are a few powerful competitors and each needs to keep track of the strategic moves of</p>		
<p>W https://hpuniv.ac.in/hpuniv/upload/uploadfiles/files/301.pdf</p>				

116/207	SUBMITTED TEXT	33 WORDS	91% MATCHING TEXT	33 WORDS
<p>SWOT Analysis Swot Analysis considers a firm's strengths, weaknesses, opportunities and threats. Using SWOT Analysis a firm chooses strategies that support its mission and (i) exploit its opportunities and strengths (ii) avoid its weaknesses and (</p>		<p>SWOT Analysis: SWOT Analysis considers a firm's strengths, weaknesses, opportunities and threats. Using SWOT analysis a firm chooses strategies that support its mission and (i) exploit its opportunities and strengths, (ii) neutralize its threats, and (</p>		
<p>W https://baou.edu.in/assets/pdf/PGDHR_103_slm.pdf</p>				

117/207	SUBMITTED TEXT	20 WORDS	62% MATCHING TEXT	20 WORDS
<p>Subjective Factors in Strategic Choice Strategic decision making is a complex affair. No one set of factors can be sufficient 61</p>		<p>Subjective Factors In Strategic Choice: 7 It is widely accepted that the strategic decision-making is a complex activity. None was set of factors can be sufficient</p>		
<p>W https://hpuniv.ac.in/hpuniv/upload/uploadfiles/files/301.pdf</p>				

118/207	SUBMITTED TEXT	11 WORDS	100% MATCHING TEXT	11 WORDS
<p>strategic choice. Subjective factors are essentially intuitive and descriptive in nature.</p>		<p>strategic choice. Subjective factors are essentially intuitive and descriptive in nature.</p>		
<p>W https://hpuniv.ac.in/hpuniv/upload/uploadfiles/files/301.pdf</p>				

119/207	SUBMITTED TEXT	39 WORDS	83% MATCHING TEXT	39 WORDS
<p>each competitors's probable reaction to the industry and environmental changes; I Anticipate the response of each competitor to the likely strategic moves by the other firm; and I Develop a profile of the nature and-success of the possible strategic changes each competitor might undertake.</p>				
<p>SA MBA SEM-III CORPORATE PLANNING AND STRATEGIC MANAGEMENT.pdf (D142236352)</p>				

120/207	SUBMITTED TEXT	16 WORDS	65% MATCHING TEXT	16 WORDS
<p>to start from where the organisation is, and what they had adopted to reach where it</p>		<p>to start from where the organization is , and the way that it had adopted to reach where it</p>		
<p>W https://hpuniv.ac.in/hpuniv/upload/uploadfiles/files/301.pdf</p>				

121/207	SUBMITTED TEXT	19 WORDS	100% MATCHING TEXT	19 WORDS
<p>In this way, the strategic choice is more likely to be for those alternatives which arise out of past</p> <p>W https://hpuniv.ac.in/hpuniv/upload/uploadfiles/files/301.pdf</p>		<p>In this way, the strategic choice is more likely to be for those alternatives which arise out of past</p>		
122/207	SUBMITTED TEXT	22 WORDS	65% MATCHING TEXT	22 WORDS
<p>Short run strategic choice may be seen as' an intermediate arrangement before the organisation moves on to a more permanent, long run strategy.</p> <p>W https://hpuniv.ac.in/hpuniv/upload/uploadfiles/files/301.pdf</p>		<p>Short run strategic choice should be seen as a stop- gap arrangement before the organization moves on to a move permanent long-run strategy.</p>		
123/207	SUBMITTED TEXT	13 WORDS	84% MATCHING TEXT	13 WORDS
<p>strategies may have to be discarded. But changes do not occur in a</p> <p>SA MBA-301 Strategic Management.pdf (D164737008)</p>				
124/207	SUBMITTED TEXT	30 WORDS	38% MATCHING TEXT	30 WORDS
<p>The contingencies could come in the form of labour strike, change in Govt. policy, abnormal monsoon, fall in Central Govt. etc. Once such scenarios are identified, alternative strategies for the firm</p> <p>SA MBA-301 Strategic Management.pdf (D164737008)</p>				
125/207	SUBMITTED TEXT	10 WORDS	100% MATCHING TEXT	10 WORDS
<p>management that a contingency strategy should be pressed into service.</p> <p>SA MBA-301 Strategic Management.pdf (D164737008)</p>				
126/207	SUBMITTED TEXT	18 WORDS	73% MATCHING TEXT	18 WORDS
<p>Where are we now? (b) Where do we want to go? (c) How do we get there? 5.</p> <p>SA 178E1230-Strategic Management_346E1230-347E1230-348E1230-349E1230.pdf (D165202932)</p>				

127/207	SUBMITTED TEXT	19 WORDS	73% MATCHING TEXT	19 WORDS
<p>The. Mckinsey Company, a well known management consultancy firm in USA was asked to find a solution to this</p>		<p>The Mckinsey Company, a well known management consultancy firm in the United States, towards the end of 1970s was asked to find a solution to this</p>		
<p>W https://www.mtcglobal.org/uploads/3_n.pdf.pdf</p>				

128/207	SUBMITTED TEXT	110 WORDS	90% MATCHING TEXT	110 WORDS
<p>Strategy : A set of decisions and actions aimed at gaining a sustainable competitive advantage. Structure : The organisation chart and associated information that shows who reports to whom. and how tasks are both divided and integrated. Systems : The flow of activities involved in the daily operation of a business, including its core processes and its support systems. Style : How managers collectively spend their time and attention and how they use symbolic behaviour. How management acts is more important than what management says. Staff : How companies develop employees and shape basic values. Shared values : Commonly held beliefs, mindset and assumptions that shape how an organisation behaves-its corporate culture. Skills : An</p>		<p>Strategy: A set of decisions and actions aimed at gaining a sustainable competitive advantage. • Structure: The organisation chart and associated information that shows who reports to whom and how tasks are both divided and integrated. • Systems: The flow of activities involved in the daily operation of a business, including its core processes and its support systems. • Style: How managers collectively spend their time and attention and how they use symbolic behaviour. How management acts is more important than what management says. • Staff: How companies develop employees and shape basic values. • Shared Values: Commonly held beliefs, mindsets and assumptions that shape how an organisation behaves—its corporate culture. • Skills: An</p>		
<p>W https://www.mtcglobal.org/uploads/3_n.pdf.pdf</p>				

129/207	SUBMITTED TEXT	26 WORDS	51% MATCHING TEXT	26 WORDS
<p>of strategy. The principle job of a strategist is then to have a good fit among the seven S's by making necessary adjustments from time to time.</p>		<p>of time. The principal job of strategists then is to achieve a good fit among the Seven Ss by making necessary alterations from time to time.</p>		
<p>W https://www.mtcglobal.org/uploads/3_n.pdf.pdf</p>				

130/207	SUBMITTED TEXT	34 WORDS	63% MATCHING TEXT	34 WORDS
<p>How to grow the business? (b) How to please customers? (c) How to outcompete rivals? (d) How to respond to changing market conditions? (e) How to manage each functional piece of the business</p>				
<p>SA 179E1230-Global Strategic Management.pdf (D165203115)</p>				

131/207	SUBMITTED TEXT	13 WORDS	80% MATCHING TEXT	13 WORDS
<p>approved and communicated. The strategic leader must defend the strategy from every angle</p>				
<p>SA MBA-301 Strategic Management.pdf (D164737008)</p>				

132/207	SUBMITTED TEXT	10 WORDS	100% MATCHING TEXT	10 WORDS
<p>can follow a top-down or a bottom-up approach. In</p> <p>W https://www.mtcglobal.org/uploads/3_n.pdf.pdf</p>		<p>can follow a top-down or a bottom-up approach. In</p>		
133/207	SUBMITTED TEXT	26 WORDS	55% MATCHING TEXT	26 WORDS
<p>the Board of Directors, Managing Director and other members of the top management decides the requirements of each sub unit and allocate resources accordingly. The bottom-up approach</p> <p>W https://www.mtcglobal.org/uploads/3_n.pdf.pdf</p>		<p>The Board of Directors, Managing Directors and other members of top management typically decide the requirements of each subunit and distribute resources accordingly. In the bottom-up approach,</p>		
134/207	SUBMITTED TEXT	22 WORDS	93% MATCHING TEXT	22 WORDS
<p>To be effective, the basic structure is governed by a set of rules and regulations, reward-punishment systems, information network, control procedures etc.</p> <p>W https://baou.edu.in/assets/pdf/PGDHR_103_slm.pdf</p>		<p>To be effective, the basic structure is governed by a set of rules and regulations, reward-punishment systems, information networks, control procedures etc.</p>		
135/207	SUBMITTED TEXT	28 WORDS	91% MATCHING TEXT	28 WORDS
<p>Structure is a means to an end and not an end in itself. It is there to facilitate smooth translation of organisational plans, strategies and policies into concrete action.</p> <p>W https://baou.edu.in/assets/pdf/PGDHR_103_slm.pdf</p>		<p>Structure, is a means to an end and not an end in itself. It is there to facilitate the smooth translation of organizational plans, strategies and policies into concrete action.</p>		
136/207	SUBMITTED TEXT	14 WORDS	82% MATCHING TEXT	14 WORDS
<p>on track he may list out priorities, programme implementation process, budgets etc, so that</p> <p>SA MBA-301 Strategic Management.pdf (D164737008)</p>				

137/207

SUBMITTED TEXT

87 WORDS

81% MATCHING TEXT

87 WORDS

While evaluating whether an organisation is properly structured the following points need careful analysis. 1. Is the structure compatible with the corporate profile and the corporate strategy. 2. At the corporate level, is the structure compatible with the outputs of the firm's business units. 69 3. Are there too few or too many hierarchical levels at either the corporate or business unit level of analysis. 4. Does the structure promote co-ordination among its parts. 5. Does the structure allow for appropriate centralisation or decentralisation of authority. 6. Does the structure permit the appropriate grouping of activities. It

while evaluating whether an organization is properly structured and stuffed to meet the requirements of the strategy, the following questions need a careful analysis: Checklist for Determining Appropriateness of Organisational Structure 1. Is the structure compatible with the corporate profile and the corporate strategy? 2. At the corporate level, is the structure compatible with the outputs of the firm's business units? 3. Are there too few or too many hierarchical levels at either the corporate or business unit level of analysis? 4. Does the structure promote coordination among its parts? 29 5. Does the structure allow for appropriate centralization or decentralization of authority? 6. Does the structure permit the appropriate grouping of activities? It

W https://baou.edu.in/assets/pdf/PGDHR_103_slm.pdf

138/207

SUBMITTED TEXT

13 WORDS

96% MATCHING TEXT

13 WORDS

The Functional Structure In functional structure, activities are grouped together by common function.

The Functional Structure In the functional structure, activities are grouped together by common function.

W https://www.mtcglobal.org/uploads/3_n.pdf.pdf

139/207

SUBMITTED TEXT

13 WORDS

100% MATCHING TEXT

13 WORDS

Functional structures bring order and clarity to organisational activities, 2. Economies of scale :

functional structures bring order and clarity to organisational activities. 2. Economies of scale

W https://www.mtcglobal.org/uploads/3_n.pdf.pdf

140/207

SUBMITTED TEXT

29 WORDS

58% MATCHING TEXT

29 WORDS

within functions is smooth. Centralised decision- making ensures unity of performance. 5. In-depth skill development : Employees are exposed to a range of activities within their department which allow them to

within functions is easy. Centralized decision-making ensures unity of performance. 5. In-depth skill development: The functional structure also promotes skill development of employees. Employees are exposed to a range of functional activities within their departments allowing them to

W https://www.mtcglobal.org/uploads/3_n.pdf.pdf

141/207	SUBMITTED TEXT	24 WORDS	75% MATCHING TEXT	24 WORDS
<p>strategy. Then the action plans could be formulated. There are functional level strategies undertaken at the departmental level and usually deals with operational aspects.</p> <p>SA MBA-301 Strategic Management.pdf (D164737008)</p>				
142/207	SUBMITTED TEXT	11 WORDS	90% MATCHING TEXT	11 WORDS
<p>lead to narrow, dull, boring jobs in the organisation• with routine</p> <p>W https://www.mtcglobal.org/uploads/3_n.pdf.pdf</p>				
143/207	SUBMITTED TEXT	24 WORDS	100% MATCHING TEXT	24 WORDS
<p>Poor decision making : No one except the man at the top sees the entire picture of business. Consequently, decisions are easily misunderstood and</p> <p>W https://www.mtcglobal.org/uploads/3_n.pdf.pdf</p>				
144/207	SUBMITTED TEXT	16 WORDS	65% MATCHING TEXT	16 WORDS
<p>functional area makes a man unfit for top management where broad perspective on the firm's activities</p> <p>W https://www.mtcglobal.org/uploads/3_n.pdf.pdf</p>				
145/207	SUBMITTED TEXT	12 WORDS	100% MATCHING TEXT	12 WORDS
<p>Procedures and Systems can be standardised, leading to better integration across different</p> <p>W https://www.mtcglobal.org/uploads/3_n.pdf.pdf</p>				
146/207	SUBMITTED TEXT	15 WORDS	90% MATCHING TEXT	15 WORDS
<p>Unprofitable lines are not allowed to be carried on the back of the profitable ones. 5.</p> <p>W https://www.mtcglobal.org/uploads/3_n.pdf.pdf</p>				

147/207	SUBMITTED TEXT	15 WORDS	100% MATCHING TEXT	15 WORDS
<p>As organisations grow, they divide their activities among branches, regional offices or other facilities from</p> <p>W https://www.mtcglobal.org/uploads/3_n.pdf.pdf</p>		<p>As organisations grow, they divide their activities among branches, regional offices or other facilities from</p>		
148/207	SUBMITTED TEXT	10 WORDS	100% MATCHING TEXT	10 WORDS
<p>between divisions with similar strategic concerns and product market environments. 3.</p> <p>W https://www.mtcglobal.org/uploads/3_n.pdf.pdf</p>		<p>between divisions with similar strategic concerns and product/ market environments. •</p>		
149/207	SUBMITTED TEXT	14 WORDS	88% MATCHING TEXT	14 WORDS
<p>in depth business planning at the corporate and business levels. 4. Distinct business units</p> <p>W https://www.mtcglobal.org/uploads/3_n.pdf.pdf</p>		<p>in-depth business planning at the corporate and business levels. •Channels accountability to distinct business units.</p>		
150/207	SUBMITTED TEXT	14 WORDS	90% MATCHING TEXT	14 WORDS
<p>business organisations. Disadvantages 1. Places another layer of management between the divisions and the corporate management. 2.</p> <p>W https://www.mtcglobal.org/uploads/3_n.pdf.pdf</p>		<p>business units. DISADVANTAGES •Places another layer of management between the divisions and the corporate management. •</p>		
151/207	SUBMITTED TEXT	26 WORDS	79% MATCHING TEXT	26 WORDS
<p>The project manager is a unifying agent and a focal point for the project activities. The project involves team members from different functional areas or from outside.</p> <p>W https://www.mtcglobal.org/uploads/3_n.pdf.pdf</p>		<p>The project manager is a unifying agent and a focal point for the project activities. Team members: The project involves members from various functional departments or from outside.</p>		
152/207	SUBMITTED TEXT	16 WORDS	69% MATCHING TEXT	16 WORDS
<p>The project organisation has no fixed boundaries. It is a structure that facilitates co-ordination and integration of</p> <p>W https://www.mtcglobal.org/uploads/3_n.pdf.pdf</p>		<p>The total project organisation has no discrete boundaries; it is a complex structure that facilitates the coordination and integration of</p>		

153/207	SUBMITTED TEXT	12 WORDS	100% MATCHING TEXT	12 WORDS
<p>Knowledge and experience can be transferred from one project to another. 2.</p> <p>W https://www.mtcglobal.org/uploads/3_n.pdf.pdf</p>		<p>Knowledge and experience can be transferred from one project to another. 2.</p>		
154/207	SUBMITTED TEXT	28 WORDS	67% MATCHING TEXT	28 WORDS
<p>Unity of command is absent. The relationship between functional managers leads to ambiguity and conflict. 2. The project structure creates insecurity and fear of unemployment as the project nears completion. 3.</p> <p>W https://www.mtcglobal.org/uploads/3_n.pdf.pdf</p>		<p>unity of command. Role prescriptions are unclear. The relationship between functional managers and the project manager is not defined properly leading to ambiguity and conflict. 4. The project structure creates insecurity and fear of unemployment as the project nears completion.</p>		
155/207	SUBMITTED TEXT	11 WORDS	87% MATCHING TEXT	11 WORDS
<p>Most projects are not self-sufficient. They require support from various quarters.</p> <p>W https://www.mtcglobal.org/uploads/3_n.pdf.pdf</p>		<p>Most projects are not self-sufficient. They need support from various quarters.</p>		
156/207	SUBMITTED TEXT	17 WORDS	61% MATCHING TEXT	17 WORDS
<p>The direct and constant touch between the specialists can make for better communication and flexibility. Information permeates</p> <p>W https://www.mtcglobal.org/uploads/3_n.pdf.pdf</p>		<p>The direct and frequent contact between different specialties in the matrix can make for better communication and more flexibility. Information permeates</p>		
157/207	SUBMITTED TEXT	42 WORDS	90% MATCHING TEXT	42 WORDS
<p>The strategic decisions are smoothly implemented by all departments of an organisation. The various parts are uniformly regulated and bound by a set of policies. The functional heads decide things quickly, using their discretion within the framework laid down by functional plans and policies.</p> <p>W https://baou.edu.in/assets/pdf/PGDHR_103_slm.pdf</p>		<p>The strategic decision are smoothly implemented by all departments of an organisation ? The various parts are uniformly regulated and bound by a set of policies. ? The functional heads decide things quickly, using their discretion within the framework laid down by functional plans and policies. ?</p>		

158/207	SUBMITTED TEXT	10 WORDS	100% MATCHING TEXT	10 WORDS
<p>Specificity in functional strategies helps strategy implementation in several ways.</p> <p>W https://baou.edu.in/assets/pdf/PGDHR_103_slm.pdf</p>		<p>Specificity in functional strategies helps strategy implementation in several ways (</p>		
159/207	SUBMITTED TEXT	17 WORDS	77% MATCHING TEXT	17 WORDS
<p>formulated and implemented on the basis of p'8 of the marketing mix i.e. product, pricing, place and promotion.</p> <p>W https://hpuniv.ac.in/hpuniv/upload/uploadfiles/files/301.pdf</p>		<p>formulated and implemented on the basis of 4 p's of marketing mix that is product, pricing, place and promotion.</p>		
160/207	SUBMITTED TEXT	14 WORDS	78% MATCHING TEXT	14 WORDS
<p>It is important to the seller as it represents the returns of his efforts.</p> <p>W https://hpuniv.ac.in/hpuniv/upload/uploadfiles/files/301.pdf</p>		<p>It is important to the seller because it represents the returns of its efforts.</p>		
161/207	SUBMITTED TEXT	15 WORDS	100% MATCHING TEXT	15 WORDS
<p>distribution plans and policies address themselves to issues such as the channels to be used.</p> <p>W https://hpuniv.ac.in/hpuniv/upload/uploadfiles/files/301.pdf</p>		<p>Distribution plans and policies address themselves to issues, such as the channels to be used</p>		
162/207	SUBMITTED TEXT	19 WORDS	73% MATCHING TEXT	19 WORDS
<p>systematic direction, evaluation and control of the entire range of processes that transforms inputs into finished goods or services</p> <p>W https://baou.edu.in/assets/pdf/PGDHR_103_slm.pdf</p>		<p>systematic direction, co troll and evaluation of the entire range of process that transforms inputs into finished goods or services.</p>		
163/207	SUBMITTED TEXT	30 WORDS	100% MATCHING TEXT	30 WORDS
<p>In order to carry out operations strategy successfully, it is necessary to design and implement well conceived operating systems. The primary operating systems that are used in operations management are discussed below.</p> <p>W https://www.mtcglobal.org/uploads/3_n.pdf.pdf</p>		<p>In order to carry out operations strategy successfully, it is necessary to design and implement well-conceived operating systems. The primary operating systems that are used in operations management are discussed below:</p>		

164/207	SUBMITTED TEXT	15 WORDS	100% MATCHING TEXT	15 WORDS
TQM is built around four main ideas. i) Do it right the first time :		TQM is built around four main ideas: do it right the first time,		
W https://www.mtcglobal.org/uploads/3_n.pdf.pdf				
165/207	SUBMITTED TEXT	12 WORDS	87% MATCHING TEXT	12 WORDS
the organisation. The process of development of functional plans and policies may				
SA COM 331 Stretagic Management - I.pdf (D165094081)				
166/207	SUBMITTED TEXT	27 WORDS	55% MATCHING TEXT	27 WORDS
the product should work as designed for a reasonable length of time. l Flexibility The company has to respond appropriately to the changes in the product design or product mix		The product should work as designed for a reasonable length of time. • Flexibility: is the degree to which a company can respond to changes in product design, product mix		
W https://www.mtcglobal.org/uploads/3_n.pdf.pdf				
167/207	SUBMITTED TEXT	16 WORDS	73% MATCHING TEXT	16 WORDS
keeping input limitations such as plant, equipment, finance, human resource etc. in mind. l Create alternate capacity		keeping input limitations such as plant, equipment, human resources etc. in mind. ? Create alternate capacity		
W https://baou.edu.in/assets/pdf/PGDHR_103_slm.pdf				
168/207	SUBMITTED TEXT	12 WORDS	100% MATCHING TEXT	12 WORDS
costs tend to go up. Such additional costs should be carefully evaluated		costs tend to go up. Such additional costs should be carefully evaluated		
W https://www.mtcglobal.org/uploads/3_n.pdf.pdf				
169/207	SUBMITTED TEXT	21 WORDS	85% MATCHING TEXT	21 WORDS
the product by virtue of its bulk and weight remains at one location. The equipments required are moved to the product.		the product by virtue of its bulk and weight, remains at one location. The equipment required for product manufacture are to the product		
W https://baou.edu.in/assets/pdf/PGDHR_103_slm.pdf				

170/207	SUBMITTED TEXT	16 WORDS	84% MATCHING TEXT	16 WORDS
<p>the proper management of the inventory comprising of raw materials, work in process, finished goods and</p> <p>W https://www.mtcglobal.org/uploads/3_n.pdf.pdf</p>		<p>the proper management of the organisation's inventory comprising of raw materials, work-in-process, financial goods and</p>		
171/207	SUBMITTED TEXT	10 WORDS	100% MATCHING TEXT	10 WORDS
<p>to the production facility 'just in time' to be used.</p> <p>W https://www.mtcglobal.org/uploads/3_n.pdf.pdf</p>		<p>to the production facility 'Just in time' to be used.</p>		
172/207	SUBMITTED TEXT	24 WORDS	98% MATCHING TEXT	24 WORDS
<p>Quality Quality is the totality of features and characteristics of a product or service that bear on its ability to satisfy stated or implied needs.</p> <p>W https://www.mtcglobal.org/uploads/3_n.pdf.pdf</p>		<p>Quality Management: Quality is the totality of features and characteristics of a product or service that bear on its ability to satisfy stated or implied needs.</p>		
173/207	SUBMITTED TEXT	13 WORDS	89% MATCHING TEXT	13 WORDS
<p>policies most of which could be informal and understood rather than formally written down.</p> <p>SA COM 331 Stretagic Management - I.pdf (D165094081)</p>				
174/207	SUBMITTED TEXT	36 WORDS	87% MATCHING TEXT	36 WORDS
<p>not. large enough to yield a fair return on the stocks and Bonds or when the amount of securities outstanding exceeds the current value of the assets. A company may be undercapitalised when the rate of profit</p> <p>W https://baou.edu.in/assets/pdf/PGDHR_103_slm.pdf</p>		<p>not large enough to yield a fair return on the amount of stocks and bonds that have been issued or when the amount of securities outstanding exceeds the current value of the assets. A company may be under-capitalized when the rate of profit</p>		
175/207	SUBMITTED TEXT	27 WORDS	87% MATCHING TEXT	27 WORDS
<p>is making is exceptionally high in relation to the return enjoyed by similar companies in the same industry or when it has very little capital with which to</p> <p>W https://baou.edu.in/assets/pdf/PGDHR_103_slm.pdf</p>		<p>is making is exceptionally high in relation to the return enjoyed by similarly situated companies in the same industry or when it has too little capital with which to</p>		

176/207	SUBMITTED TEXT	18 WORDS	91% MATCHING TEXT	18 WORDS
<p>the credits extended by the suppliers of goods and services. The suppliers usually extend credit based on the</p> <p>W https://baou.edu.in/assets/pdf/PGDHR_103_slm.pdf</p>		<p>the credit extended by the suppliers of goods and services; the suppliers usually extend credit based on the</p>		
177/207	SUBMITTED TEXT	18 WORDS	75% MATCHING TEXT	18 WORDS
<p>indicates the extent to which current liabilities are covered by current assets. An ideal ratio is 2: 1,</p> <p>W https://www.bustudymate.in/wp-content/uploads/2019/11/management_accounting_2nd_ed_p_weetman.pdf</p>		<p>indicates the extent to which all current liabilities are covered by all current assets. If the ratio is</p>		
178/207	SUBMITTED TEXT	10 WORDS	100% MATCHING TEXT	10 WORDS
<p>is concerned with the planning and controlling of financial resources.</p> <p>SA Stgic Mgt.docx (D146772747)</p>				
179/207	SUBMITTED TEXT	18 WORDS	70% MATCHING TEXT	18 WORDS
<p>Quick Ratio or Acid Test Ratio = Quick Assets : Current Liabilities Quick assets mean current assets less inventories,</p> <p>W https://www.toppr.com/guides/principles-and-practice-of-accounting/accounting-ratios/liquidity-ra ...</p>		<p>Quick Ratio or Acid-test Ratio} = $\frac{\text{Quick Assets}}{\text{Current Liabilities}}$ \$\$ Where, Quick Assets = Current Assets – Inventories –</p>		
180/207	SUBMITTED TEXT	16 WORDS	84% MATCHING TEXT	16 WORDS
<p>Financial Strategy and Competitive Advantage Financial strategy provides the firm with the appropriate financial structure and</p> <p>W https://baou.edu.in/assets/pdf/PGDHR_103_slm.pdf</p>		<p>Financial Strategy and Competitive Advantage Financial strategy aims at providing the firm with the appropriate financial structure and</p>		
181/207	SUBMITTED TEXT	15 WORDS	82% MATCHING TEXT	15 WORDS
<p>and maintain competent workforce to achieve the goals of an organisation in an effective and efficient manner.</p> <p>W https://baou.edu.in/assets/pdf/PGDHR_103_slm.pdf</p>		<p>and maintaining competent workforce to achieve the goals of an organization in an effective and efficient manner.</p>		

182/207	SUBMITTED TEXT	19 WORDS	84% MATCHING TEXT	19 WORDS
<p>getting the right number of qualified people into the right job at the right. time. "In effect it is</p> <p>W https://baou.edu.in/assets/pdf/PGDHR_103_slm.pdf</p>		<p>getting the right number of qualified people into the right job at the right time. It is</p>		
183/207	SUBMITTED TEXT	25 WORDS	86% MATCHING TEXT	25 WORDS
<p>The purpose of selection is to pick up the most suitable candidate who would meet the requirements of job and suit the organisation best. So the</p> <p>W https://baou.edu.in/assets/pdf/PGDHR_103_slm.pdf</p>		<p>The purpose of selection is to pick up the most suitable candidate who would meet the requirements of the job and suit the organization best. The</p>		
184/207	SUBMITTED TEXT	18 WORDS	66% MATCHING TEXT	18 WORDS
<p>Training & Development Training is imparted for increasing knowledge and skills of an employee for doing a specific job.</p> <p>W https://baou.edu.in/assets/pdf/PGDHR_103_slm.pdf</p>		<p>Training and Development Training is the act of increasing g knowledge and skills of an employee for doing a particular job.</p>		
185/207	SUBMITTED TEXT	18 WORDS	72% MATCHING TEXT	18 WORDS
<p>Internal environment also affect the HR manager. The different functional areas, specific cultural issues peculiar to a unit</p> <p>W https://baou.edu.in/assets/pdf/PGDHR_103_slm.pdf</p>		<p>internal environment also affects the job of HR manager. The functional areas, structural changes, specific cultural issues peculiar to a unit,</p>		
186/207	SUBMITTED TEXT	17 WORDS	73% MATCHING TEXT	17 WORDS
<p>often be linked to his ability to exercise the right kind of influence at the right time.</p> <p>W https://baou.edu.in/assets/pdf/PGDHR_103_slm.pdf</p>		<p>often linked to ability of a leader to exercise the right kind of influence at the right time.</p>		
187/207	SUBMITTED TEXT	17 WORDS	55% MATCHING TEXT	17 WORDS
<p>adapt strategy implementation to confirm to corporate culture. iii) To change the strategy to suit the corporate culture.</p> <p>SA STRATEGIC MANAGEMENT 1.docx (D45114782)</p>				

188/207	SUBMITTED TEXT	30 WORDS	95% MATCHING TEXT	30 WORDS
<p>value is a view of life and judgement of what is desirable that is very much a part of a person's personality and a group's morale". 2 Business Ethics "is</p>				
<p>SA JSNR_MBA_SSOU_Strategic Management_294.pdf (D29526817)</p>				

189/207	SUBMITTED TEXT	23 WORDS	81% MATCHING TEXT	23 WORDS
<p>strategic evaluation and control is to evaluate the effectiveness of a given strategy in achieving the organisational objectives and taking corrective actions wherever required.</p>				
<p>SA MBA-301 Strategic Management.pdf (D164737008)</p>				

190/207	SUBMITTED TEXT	32 WORDS	98% MATCHING TEXT	32 WORDS
<p>Strategy evaluation includes three basic activities : (i) Examining the underlying bases of a firm's strategy, (ii) Comparing expected results with actual results. (iii) Taking corrective actions to ensure that performance conforms to plans.</p>				
<p>strategy evaluation includes three basic activities: (i) examining the underlying bases of a firm's strategy (ii) comparing expected results with actual results and (iii) taking corrective actions to ensure that performance conforms to plans.</p>				
<p>W https://www.mtcglobal.org/uploads/3_n.pdf.pdf</p>				

191/207	SUBMITTED TEXT	19 WORDS	77% MATCHING TEXT	19 WORDS
<p>evaluation operates at two levels : strategic and operational. At the strategic level the consistency of strategy and environment</p>				
<p>evaluation generally operates at two levels: strategic and operational. At the strategic level, managers try to examine the consistency of strategy with environment.</p>				
<p>W https://www.mtcglobal.org/uploads/3_n.pdf.pdf</p>				

192/207	SUBMITTED TEXT	22 WORDS	52% MATCHING TEXT	22 WORDS
<p>strategy takes long periods for implementation and results. The uncertain future environment makes continuous evaluation of the planning premise and strategy implementation</p>				
<p>SA MBA-301 Strategic Management.pdf (D164737008)</p>				

193/207	SUBMITTED TEXT	20 WORDS	56% MATCHING TEXT	20 WORDS
<p>Evaluation Criteria The critical factors that could help evaluate a strategy may be broadly classified into quantitative and qualitative factors. Qualitative factors :</p> <p>W https://www.mtcglobal.org/uploads/3_n.pdf.pdf</p>		<p>Evaluation Criteria The critical factors that could help in evaluating a strategy may broadly be classified into two categories: quantitative factors and qualitative factors. Quantitative Factors:</p>		
194/207	SUBMITTED TEXT	16 WORDS	100% MATCHING TEXT	16 WORDS
<p>Quantitative factors Quantitative criteria commonly employed to evaluate strategies are financial ratios, which strategists use to make</p> <p>W https://www.mtcglobal.org/uploads/3_n.pdf.pdf</p>		<p>Quantitative Factors: Quantitative criteria commonly employed to evaluate strategies are financial ratios, which strategists use to make</p>		
195/207	SUBMITTED TEXT	12 WORDS	100% MATCHING TEXT	12 WORDS
<p>and are functioning properly. There are four types of strategic control</p> <p>W https://www.mtcglobal.org/uploads/3_n.pdf.pdf</p>		<p>and are functioning properly. There are four types of strategic control: 1.</p>		
196/207	SUBMITTED TEXT	20 WORDS	100% MATCHING TEXT	20 WORDS
<p>Premise control is designed to check systematically and continuously whether the premises on which the strategy is based are still valid.</p> <p>W https://www.mtcglobal.org/uploads/3_n.pdf.pdf</p>		<p>Premise control is designed to check systematically and continuously whether the premises on which the strategy is based are still valid.</p>		
197/207	SUBMITTED TEXT	12 WORDS	100% MATCHING TEXT	12 WORDS
<p>special efforts are made from time to time in order to implement</p> <p>W https://www.mtcglobal.org/uploads/3_n.pdf.pdf</p>		<p>special efforts are made from time to time in order to implement</p>		
198/207	SUBMITTED TEXT	21 WORDS	84% MATCHING TEXT	21 WORDS
<p>it is being implemented, detecting problems or changes in underlying premises and making necessary adjustment. In contrast to post-action control, strategic control</p> <p>SA MBA-301 Strategic Management.pdf (D164737008)</p>				

199/207	SUBMITTED TEXT	11 WORDS	95% MATCHING TEXT	11 WORDS
<p>strategist to decide the limits of control. Too much control may</p> <p>SA MBA SEM-III CORPORATE PLANNING AND STRATEGIC MANAGEMENT.pdf (D142236352)</p>				
200/207	SUBMITTED TEXT	24 WORDS	62% MATCHING TEXT	24 WORDS
<p>Control Here the control is aimed at allocation and use of organisational resources. Evaluation techniques for operational control are based on internal analysis rather than</p> <p>control on the hand is aimed at allocation and use of firm's various resources. The evaluation techniques for this type of control system are based on internal analysis rather than</p> <p>W https://zdocs.mx/doc/adl-15-corporate-policies-and-practices-material-o7p4ggk07xpj</p>				
201/207	SUBMITTED TEXT	20 WORDS	86% MATCHING TEXT	20 WORDS
<p>Implementation Control is aimed at assessing whether the plans, programmes and policies actually taking the organisation towards the predetermined objectives or not.</p> <p>SA MBA-301 Strategic Management.pdf (D164737008)</p>				
202/207	SUBMITTED TEXT	14 WORDS	100% MATCHING TEXT	14 WORDS
<p>Value Chain Analysis : . Firms employ value chain analysis to identify and evaluate</p> <p>Value Chain Analysis: Firms employ value chain analysis to identify and evaluate</p> <p>W https://www.mtcglobal.org/uploads/3_n.pdf.pdf</p>				
203/207	SUBMITTED TEXT	14 WORDS	66% MATCHING TEXT	14 WORDS
<p>are generally compared with the standards set up in the first step of control process.</p> <p>are generally linked to the standards set in the first step of the control process.</p> <p>W https://www.mtcglobal.org/uploads/3_n.pdf.pdf</p>				
204/207	SUBMITTED TEXT	23 WORDS	47% MATCHING TEXT	23 WORDS
<p>four key performance measures. (i) Customer perspective (ii) Internal business perspective (iii) Innovation and learning perspective and (iv) Financial perspective. I Key Factor Rating :</p> <p>four key performance measures, (i) customer perspective: How do customers see us? (ii) Internal business perspective: What must we excel at? (iii) Innovation and learning perspective: Can we continue to improve and create value? (iv) Financial perspective: How do we reward shareholders? • Key Factor Rating:</p> <p>W https://www.mtcglobal.org/uploads/3_n.pdf.pdf</p>				

205/207	SUBMITTED TEXT	22 WORDS	67% MATCHING TEXT	22 WORDS
<p>financial, marketing, operations and human resource capabilities and assessing overall capability. I Network Aalysis : Network techniques like PERT (Programme Evaluation and Review Technique)</p>		<p>financial, marketing, operations and human resource capabilities) and assessing overall organisational capability based on the collected information. Network techniques like Programme Evaluation and Review Technique (</p>		
<p>W https://www.mtcglobal.org/uploads/3_n.pdf.pdf</p>				












206/207	SUBMITTED TEXT	24 WORDS	100% MATCHING TEXT	24 WORDS
<p>Strategic surveillance is designed to monitor a broad range of events inside and outside the company that are likely to threaten the course of</p>				
<p>SA JSNR_MBA_SSOU_Strategic Management_294.pdf (D29526817)</p>				












207/207	SUBMITTED TEXT	10 WORDS	100% MATCHING TEXT	10 WORDS
<p>Strategic Management, A New View of Business Policy and Planning,</p>				
<p>SA 178E1230-Strategic Management_346E1230-347E1230-348E1230-349E1230.pdf (D165202932)</p>				

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PREFACE In the curricular structure introduced by this University for students of Post-Graduate degree programme, the opportunity to pursue Post-Graduate course in Subjects introduced by this University is equally available to all learners. Instead of being guided by any presumption about ability level, it would perhaps stand to reason if receptivity of a learner is judged in the course of the learning process. That would be entirely in keeping with the objectives of open education which does not believe in artificial differentiation. Keeping this in view, study materials of the Post-Graduate level in different subjects are being prepared on the basis of a well laid-out syllabus. The course structure combines the best elements in the approved syllabi of Central and State Universities in respective subjects. It has been so designed as to be upgradable with the addition of new information as well as results of fresh thinking and analysis. The accepted methodology of distance education has been followed in the preparation of these study materials. Co-operation in every form of experienced scholars is indispensable for a work of this kind. We, therefore, owe an enormous debt of gratitude to everyone whose tireless efforts went into the writing, editing and devising of proper lay-out of the materials. Practically speaking, their role amounts to an involvement in invisible teaching. For, whoever makes use of these study materials would virtually derive the benefit of learning under their collective care without each being seen by the other. The more a learner would seriously pursue these study materials the easier it will be for him or her to reach out to larger horizons of a subject. Care has also been taken to make the language lucid and presentation attractive so that they may be rated as quality self-learning materials. If anything remains still obscure or difficult to follow, arrangements are there to come to terms with them through the counselling sessions regularly available at the network of study centres set up by the University. Needless to add, a great deal of these efforts is still experimental—in fact, pioneering in certain areas. Naturally, there is every possibility of some lapse or deficiency here and there. However, these do admit of rectification and further improvement in due course. On the whole, therefore, these study materials are expected to evoke wider appreciation the more they receive serious attention of all concerned. Professor (Dr.) Ranjan Chakrabarti Vice-Chancellor First Print : March, 2023 Netaji Subhas Open University Post Graduate Degree Programme Master of Business Administration (MBA) Course Code : CP-202 Course : Macroeconomics Printed in accordance with the regulations of the Distance Education Bureau of the University Grants Commission. Notification

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7 Unit-1 q What is a Macroeconomics Structure 1.0. Objective 1.1. Introduction 1.2 The Nature of Basic Economic Problems of a Society 1.3 The Social Welfare Function 1.4 Solution of the Basic Economic Problems 1.5 The Principle to be followed 1.6 From Basic Economic Problems to Macroeconomic issues 1.7 References 1.0 Objective This unit will help you to understand I The relationship between Economics and Macroeconomics I The basic macroeconomic problems of an economy I How their solution determines economic social welfare I How the basic macroeconomic problems are solved in different types of economy 1.1. Introduction Macroeconomics and Microeconomics are the two broad disciplines of economics. They are divided on the basis of the nature of questions that they deal with Microeconomics deals with the economic problems faced by individuals as consumers and producers. It

8 also deals with the determination of prices of different goods and services under different market situations. Macroeconomics, on the other hand, is concerned with the aggregate problems that the economy as a whole faces. Thus, the problems of unemployment in the economy, inflation, poverty, economic growth and so on, are essentially macroeconomic problems. Though each individual may have to face and solve the problems of unemployment, poverty, of rising prices and so on, in his own way, these individual problems are symptoms of the aggregate problems prevailing in the economy. The solutions of these aggregate problems are beyond the reach of individual effort and have to be sought at the appropriate aggregate level.

1.2 The Nature of Basic Economic Problems of a Society In the world of to-day we can make a distinction between three types of economies, namely, free enterprise economy, socialistic economy and mixed economics. In earlier days there were other types of economies like slave economy and feudal economy and so on. But whatever may be the nature of an economy, every economy must face and solve three fundamental macroeconomic problems, namely :

1. What goods shall be produced and in what quantities ?
2. How shall goods be produced ?
3. For whom shall goods be produced ?

The first problem highlights the fact that the needs of the people in different economies differ depending on the size of the population and the nature of geographic and culture conditions prevailing there and other economic & non-economic factors. The nature and amount of the goods to be produced must somehow or other cater to these needs. But the resources available to the economy to produce different goods are limited. The problem of how to produce different goods has to be solved with reference not only to this problem of resource scarcity, but also to the skill and education of the people and the technology prevailing in the economy. Thus, the second problem is essentially a problem of economic and technical management which has to be adjusted with the historical antecedents of their solution.

9 All the three problems mentioned above are solved more or less simultaneously and continuously. Yet they can be conceptually distinguished from one another. Thus, when the first two problems are solved the economy will have produced at the end of the gestation lag different amounts of different commodities. Then the economy will face the third problem, which is essentially a problem of distribution. What should be the principle of distributing these different goods among the people ? Will they be distributed according to the needs of the people ? Or, will they be distributed according to people's participation in the processes of production ? But the children, the sick, the old may not have taken part in the processes of production. How will they be provided for ? The economy has to solve all these problems in its own way. And depending upon how these three basic macroeconomic problems are solved, the welfare of the people living in the society constituting the economy, is determined.

1.3 The Social Welfare Function The social welfare function is a functional relationship indicating how social welfare is determined. In the above discussion we have pointed out that social welfare depends on how the three fundamental problems of the economy are solved. Though social welfare has its political and social aspects, in the economic literature the social welfare function takes into account only the economic aspects of social welfare. Thus, to constitute the social welfare function, let us note that we can designate the first problem mentioned above as one of output-decision, or simply one of output (O). The second problem is a problem of cost (C), for the persons chosen, chosen the availability of resources and the existing technology determine the amount of cost involved to produce the economy's output. The third problem, as we have already pointed out, is a problem of distribution (D). If W refers to the (economic) welfare in the society, we can write the social welfare function as $W = f(O, C, D)$ (1.1)

The cost component C of the social welfare function involves utilisation of the society's resources, which are again, in the aggregate, used to produce the economy's output. Moreover, production leads to generation of pollution, and wear and tear of the economy's machinery. Thus, we can subtract C from O and get the economy's net output

10 (NO). Hence, the social welfare function (W) can be rewritten as $W = F(NO, D) \dots$ (1.2) the social welfare function (1.2) indicate that if the net output of the economy increases, the state of distribution remaining the same, then the welfare in the society improves, and vice versa. If, on the other hand, the state of distribution of the social product improves without any change in net output, then also social welfare improves, and vice versa. But, if net output increases and the state of distribution deteriorates, it would be difficult to say a priori whether welfare in the society has improved or not.

1.4 Solution of the Basic Economic Problems Today every country has its own economy. But, as we have already pointed out from the functional point of view we can distinguish between only three types of economics, namely, free enterprise economies, socialistic economies and mixed economies. Different types of economies solve the three fundamental problems of the economy in different ways. The free-enterprise economies solve these fundamental problems by the "invisible hand" of the price or market system. The free-enterprise system is based on the philosophy of *laissez faire*—a doctrine opposing government interference in economic affairs beyond the minimum necessary for the maintenance of peace and property rights. Without the interference of the government, demand and supply conditions in the market determine what goods will be produced and in what quantities. Only those goods will be produced for which there is effective demand, that is, demand backed by money or purchasing power. Effective demand follows the law of demand, which states that, other things remaining the same, if the price of a commodity falls, then the demand for that commodity rises, and vice versa. The law of demand is depicted in the market demand curve. Thus, in Fig. 1.1 the curve $D D_x$ is the demand curve of X, showing the law of demand. Producers, on the other hand, are guided by profits. They may experiment with new goods and bring them into the market; but if these goods fail to generate desired amounts of demand, the producers would suffer loss and withdraw such goods from the market. Since the cost per unit usually increases with increasing amounts of production, producers

1.1 Price of X P_x $D A S S_x D_x Q_x$ Quantity of X Q_x Fig. 1.1 being higher and higher amounts of a product if its price rises. Thus, the law of supply states that, other things remaining the same if the price of a commodity rises, its supply rises, and vice versa. The law of supply is depicted in the market supply curve. Thus, in Fig. 1.1 $S S_x$ is the supply curve of commodity X, solving the law of supply. $S S_x$ curve intersects the market demand curve $D D_x$ at point A to determine not only the equilibrium price of the commodity X, P_x , but also the equilibrium amount of the commodity, Q_x . The combination, P_x and Q_x , constitutes the market equilibrium for commodity X in the sense that at P_x the amount of the commodity X, Q_x , is the same as the amount of the commodity supplied in the market, also Q_x . In this way, a free enterprise economy solves the first fundamental problem of the economy by determining the amounts of different commodities to be produced in the economy. The prices of different commodities act as a signal to both producers and consumers to adjust their supply's and demand accordingly. In a free-enterprise system, the decision regarding the second problem is also made up in the markets when the producers themselves decide on the technique to produce different commodities. Since producers are guided by profit, they would choose that method of production which is most efficient ensuring a maximum amount of profit under the given conditions. The most efficient and maximum profit positions may not coincide with the least-cost methods of production. But they involve efficient utilization of the resources in conformity with price expectations.

12 Similarly, the third fundamental problem of the economy, which is the problem of distributing the social product among the individuals in the society, is also solved by the "invisible hand" in the market. The share of each person of the social product is determined by his income and the income of a person is determined by the price of the services that the person can render in the process of production. The prices of the services of the factors of production including the price of the services of labour, the wage rate, are determined, like the prices of any other commodity, by the demand for and the supply of such factors of production. In a free-enterprise system a person can earn not only by rendering the services of his own labour, but also by owning other factors of production like land, capital and raw material. These other factors of production earn rent, interests and profits. A person's share of the social product depends upon the amounts of wages, rent, interest or profit that he can earn in the society. It is true that the character of the resulting distribution of income may not be very fair, for it is highly dependent upon the initial distribution of property ownership, on acquired or inherited abilities and educational opportunities, and on the presence or absence of social and sex discrimination. But, this is how a free-enterprise system operates, leaving ample scope for government intervention into the economy. In a socialistic economy with public ownership of the means of production, centralized control of the rate of accumulation and price-fixing criteria for all goods sold by the state, the solution of the three fundamental problems of the economy becomes the concern of the centralized planning and administrative authorities. With the elimination of competition among different enterprises, and abiding by the dictates from the centre, they envisage all productive institutions as subdivisions of as if were, one vast people's workshop and decide on what products are to be produced and the amount of their output. Once these decisions are taken necessary, orders are sent to different states, enterprises and collective forms. This is how a socialistic economy solves the first fundamental problems of the economy. Along with the orders to produce specified amounts of different commodities, the centre also sends instructions regarding the technique to be followed to produce them. In preparing these production targets and the techniques to be adopted in producing them, the centre takes into account the special historical and objective conditions of different states and techniques. The states and the collective forms may fail to produce as they are directed. The causes of their failure will influence the next round of orders. But in any case, the first two fundamental problems are solved principally by dictates from the centre. In a free-enterprise system all the three problems of the economy are solved more or less simultaneously. Thus, the problem of distribution of the social product is not an independent one. But in a socialistic economy, the distribution of the social product is an independent problem and, theoretically, has little connection with the problem of production. In a socialistic economy, production is not meant to be sold in the market, but is meant for use, the outputs are stored in communal workhouses and are subsequently delivered to persons according to same principles decided upon by the central authorities, the ultimate aim being to supply the goods and services according to the needs of the people. In this way, all the three fundamental problems of the economy are solved in a socialistic system practically outside the markets without the help of money. The mixed-economy system combines elements of both the free-enterprise economy and the socialistic economy. It does so by clearly demarcating the public sector from the private sector. Though there may be some overlapping of these two sectors, the principle of operation of different enterprises in the two sectors is sought to be kept quite distinct from one another. The enterprises in the public sector are intended to follow the socialist principles of production and distribution by ignoring markets with an eye to catering to the needs of the people and different industries. The private sector enterprises, on the other hand, follow the principles of the market system with an eye to profits. The mixed-economy approach has developed out of the recognition that both the free-enterprise system and the socialistic system have their merits and demerits. Thus, while it is maintained that productive efficiency is better attained in a market system, distributive justice is better achieved under socialism. Today most economies are mixed economies. Some of them have been able to combine the merits of both the systems in a considerable way. But there are mixed economies, which while trying to combine the better elements of both the systems have ended up with incorporating the demerits of both the systems.

14 1.5 The Principle to be followed In the following pages we will follow the macroeconomic ideas as they have developed within the institutional, political and legal framework of decentralized private ownership economies. Such economic ideas are guided by the free-enterprise philosophy and are called "mainstream" economic thinking as distinguished from socialistic thinking. Main stream economics tries to develop economic ideas in a "value-free" way. In spite of that, the norms and values prevailing in the society implicitly creep into the ideas developed. Yet the concepts and techniques used here have relevance in economies where the role of the state and the institutional frame-work are different. This is so because, as we have pointed out above, the fundamental macroeconomic problems are every where the same. It is true that the nature of these fundamental problems are socially determined, so that no only the goods to be produced are culturally and historically determined, but the way of producing the goods and the system of distributing the outputs among individuals in the society are also determined by the systems of values and customs prevailing in the society. Yet, three facts of economic life appear in all types of society. The first is the relative scarcity of resources : however abundant in absolute terms may be the resources possessed by a society, the individuals in the society want to consume more goods and services than can be produced from those resources. This problem of scarcity is basic to all the three fundamental problems of an economy. Second, there are gains from specialization : the output of goods and services will be greater if individuals-specialise in different aspects of the production process and each does not attempt to produce all the commodities they consume. Though socialism is sometimes viewed as doing away with the benefits of specialization, it cannot ignore the gains that can be reaped out of specialization. Moreover, information in every society is decentralized: no single individual initially knows all the economically relevant information. Since these facts are emphasized by mainstream economics, it has relevance beyond its applications to decentralized private ownership economies. The concepts and techniques developed by mainstream economics can be used to examine the functioning of economies with a wider role of the state and with using different institutional frameworks.

15 1.6 From Basic Economic Problems to Macroeconomic Issues With the understanding of what, how and for whom to produce by an economic organisation of a society, some aggregative issues concerned with the over all performance of the economy require to be addressed to. the three central issues, core of Macroeconomics are 1. What determine aggregative or macrolevel of output and employment of an economy? Why do output and employment fluctuate and some times fall and fall persistently for a longtime with an agonising problem of prolonged unemployment in the economy 2. What are sources of price inflation and how can it be controlled? Inflation has some allocative, distributive and growth effects, desirable or undesirable. How it can be controlled to a desired level. 3. How rate of economic growth of a nation indicated by rate of growth of its output is determined and how to increase it! 1.7 References 1. Paul A. Samuelson & William D. Nordhaus : Economics, Eighteenth Edition, 2005. Ch. 1, Part V & VI Tata McGraw Hill. 2. Alac Nave and D. M. Nuti (Eds.) : Socialist Economies, Penguin Books, 1972. 3. H. Gravelle and R. Rees : Microeconomics, 1992. 4. Rudiger Dorn bush & Stanley Fischer : Macroeconomics Fifth Edition, Ch. 1, 1990 McGraw Hill.

16 Unit-2 q The Concept of National Income Structure 2.0 Objective 2.1 Introduction The concept of National Income and other related concepts 2.2 Different Approaches to the Measurement of National Income 2.3 Elements of National Income Accounting 2.4 Nominal GNP is Real GNP 2.5 Some Important Identities 2.5.1 Closed Economy without government Spending 2.5.2 Introducing the government and Forcing Trade 2.6 Exercises 2.7 References 2.0 Objective This unit will help you to understand | Why is the concept of national income so important? | The three different approaches to the measurement of national in-come. | How is national income actually calculated? | How is it related to saving, investment, government expenditure, and so on? 2.1 Introduction : The concept of National Income and other related concept We have seen in unit 1 that the state of welfare in a society depends upon the economy's net output, on the one hand, and- the state of distribution prevailing in the economy, on the other. In particular, social welfare in an economy improves if the economy's net output increases, the state of distribution remaining the same. Thus, if we want to know

17 whether welfare in a particular economy has improved or not over specified period, when it is known that the state of distribution in the economy has not changed, we need to be Cera! whether net output has increased or not over the same period. But it is not easy to make an assessment of change of output, for not only different outputs are measured in different units, but some new outputs may have appeared while some old outputs may have disappeared from the economy as well. Under such conditions it is impossible to add up differed types of output and arrive at an aggregate measure of output and changes in aggregate output. The problem Can be averted if money values of outputs are used, for then it would be possible to add up all different types of output. Here at the outset it is necessary to precisely define and explain the concept of national income and the related concepts. In an economy basic economic process can be viewed in this way. A set of persons owning four factors of production, land, labour, capital and organisation or entrepreneurship use them to produce output i.e. goods & services that is sold in the market and proceeds are appropriated in terms of return for labour i.e. wage returns for land i.e. rent, that for capital i.e. interest, the residual or for entrepreneurship or supplier of organisational input i.e. profit. These incomes again are utilised for purchase of these goods i.e. as expenditure. Thus we have $PQ = W + R + I + Pr = C + I + G + X - M$. Again the persons owning land, labour, capital, organisation may be citizens of the nation state and part of it may be utilised domestically or part may be abroad. Similarly for the foreign citizens. In the above equation $PQ =$ Market value of output, $W + R + I + Pr$ [wage(w), rent(r) interest (I), profit (Pr).] = factor income or factor cost; $C + I + G + X - M$ are different types of expenditure—Private consumption (C), Private investment (I), government expenditure (G) and net [export (X) – import (M)] foreigners expenditure to purchase net domestic goods. Thus these are three approaches to same thing national product, national income, national expenditure when they relates to the person, members of the nation and Domestic product, domestic income, Domestic expenditure when they relate to what happen with in the land of the nation. The concepts have other demensions. These variables are flow so they must refer to a time demension i.e. flow per unit of time say current year. They have value dimensions for valuing and aggregating these are market prices that include indirect taxes. They have 18 some 'originality' and final demensions thus orgonial or basic inputs, land, labour, capital, organisations are considered , and only final goods and services are accounted without considering intermedite goods and services to produce final goods and services. These are the values :1.dded by undependent producing units, this gives a different accounting procedure f sum of value added by national producing units as national produes. With these basic ideas we proceed to elaborate the different approaches :o the measurent of national income and discuss the related different concepts. 2.2 Different Approaches to the Measurement of National Income The national income in an economy is measured over a year, usually the inancial year. National income is the pulse of on economy and is a summary neasure of the aggregate performance of the economy. The concept of national income can be approached from three different points of view. In the first place, we have already mentioned, national income is the money value of national output produced during a given year. This is called the output approach to the neasurement of national income. Secondly,

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national income is the sum of all incomes earned by. all

income-earning units during a year. This is called the income approach and is measured as the sum of all factor incomes (wages, interget, rents and accrming profits). The third approach is called the expenditure approach, for one person's income is another persons expenditure and no income can be earned if an equivalent amount of expenditure is not mode. Thus, the total amount of national expenditure made during a year is the same as the total amount of income earned, which is national income. We will now discuss these three approaches in some greater detail. The output Method National income accounting takes into consideration only currently pro duced goods and services and includes transactions in existing commodities like existing houses, though the value of Realtors' fees in the sale of existing horses are taken account of Secondly, the output consider only the production of

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final goods and services, and excludes intermediate goods which are used in the production of final commodities to avoid double counting.

To ensure this production is defined as addition of value. Production is made by firms and the value added by a firm is the difference between the value of its outp mains the value of its inputs. The sum of the total value added by all firm within the economy during a year is equal to the value of the total output of the economy, which

19 is national income. Finally, the money value of output is measured at market prices. It exclude the valuation of goods and services. which are not marketed. Thus, the value of housewives' services and self-made haircuts are excluded from the calculation of national income. Moreover, since only legal markets are considered, the valuation of the activities of the underground economy, like gambling and the drug trade, are also excluded from national income accounting. If Y stands for national income, O for national output and P for price level, then by the output method we have $Y = P \cdot O$ (2.1) where the identity sign (\equiv) stands for the definitional equality of the two side. If there are n producing units (firms) within the economy, (2.1) can also be written as $n \cdot i = \sum Y \cdot P_i \cdot O_i$ (2.1a) The Income Method

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National income is the sum of all factor earnings from current production of goods and services.

Factor earnings are incomes of factors of production : land, labour, capital and organization. All these incomes. are calculated over 1 year. Labour income over the whole year is called the wage bi 11 (W) which includes the incomes of all sataried persons. All incomes earned from the services of land is rent income (R). All interest incomes over the year constitute interest income (I). Entrepreneurs' total profit over the whole year is profit income (Pr). Adding all these incomes over the year we get national income (Y) as identically given by $Y = W + R + I + Pr$ (2.2) The Expenditure Method All incomes are generated out of expenditures. Every expenditure creates an equivalent amount of income. A person may spend less than his income in a month. The saving that is made fails to generate expenditure of the same amount during the same period criated by income earning but is equivalent to expenditure by producers as investment 20 intended or unintended. Thus, if we stick to the same time period, total expenditure during a year is identically equal to total income during the year. Thus, if E stands for total expenditure we have $Y \equiv E$ (2.3) In a real open economy, total expenditure made in a country can be divided from the macroeconomic point of view, into a number of categories, namely, consumption expenditure (C), investment expenditure (I), government expenditure (G), export (X) and import (M). Thus, (2.3) can be rewritten as $Y \equiv E \equiv C + I + G + X - M$ (2.4) In relation (2.4) export (X) and import (M) are also expenditures, for exports mean foreigners' expenditure on home-produced goods and services, and imports mean home- expenditure on foreign goods and services. Exports add to home income, since the income receiving end is the home economy, but the expenditure made on imports by the residents at home accrues as income to foreigners and is, as such, a leakage from the home income stream. Therefore, while exports are introduced with a plus sign, imports are included with a minus sign in (2.4). Sometimes, the relation (2.4) is written as $Y = C + I + G + NX$ (2.4a) where NX is net export given by $(X - M)$. 2.3 Elements of National Income Accounting National income accounting as practised in many countries involves utilizations of all the three approaches mentioned above, and it also used certain technical terms which have now becomes quite common place. Thus, national income accounting introduces two concepts which are, more or less, the some, namely, gross domestic product (GDP) and gross national product (GNP). GDP is a measure of all currently and domestically produced goods and services. It includes earnings from current production within the country that may accrue to foreign residents or foreign-owned firms. On the other hard, gross national product (GNP)

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is defined as the value of all final goods and services produced

by domestically owned factors of production within a given period. Thus, GNP includes earnings of domestic corporations overseas and domestic residents marking overseas, which GDP does not.

21 It would be worthwhile to look into the relationship between GDP and GNP. To get GNP from GDP we need to add foreign earnings of domestic residents and firms on the one hand, and to subtract earnings of foreign residents and firms operating within the country on the. other : $GDP + \text{foreign earnings of domestic residents and firms} - \text{earnings of foreign residents and firms within the country} = GNP$ (2.5) Since

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national income is the sum of all factor earnings from current production of goods and services, to arrive at national income

from GNP we need to subtract two things. The first charge that is not included in national income is depreciation, which is a cost of production representing the wear and tear of the capital stock. By deducting depreciation from GNP we get not national product (NNP) : $GNP - \text{Depreciation} = NNP$ (2.6) Since factor incomes are paid from the proceeds of the sellers, indirect taxes (sales and excise taxes) and some "other" items are deducted from NNP to arrive at national income. $NNP - \text{Indirect taxes and "other"} = \text{National Income}$ (2.7) i.e. NNP is valued at market price – indirect taxes & others = NNP at factor costs = National Income. It should be noted that up to this point national income accounting mostly utilizes the output method, though the earnings of foreigners at home and foreign earnings of domestic residents and firms have been taken into account. After this point national income accounting utilizes the income approach and shows national income as the sum of the factor incomes as shown in relation (2.2). In the terminology of national income accounting, the analogous relation is : $\text{National income} = \text{compensation of employees} + \text{corporate profits} + \text{Proprietors' income} + \text{Rental income of persons} + \text{Net interest}$...(2.8) Before showing GNP an national mcome as national expenditure as in relation (2.4), national income accounting shows personal income and personal disposable income. We have pointed out that national income is a measure of

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income earned from current 22 production of goods and services. For some purposes, however, it is useful to have a measure of income received by persons regardless of source.

This is called personal income and is defined as income received by all persons from all sources. Thus, personal income is given by $\text{Personal income} = \text{National income} - (\text{corporate profits tax payments} + \text{undistributed profits and valuation adjustment} + \text{contributions to social security}) + (\text{Transfer payments to persons} + \text{Personal interest income})$ (2.9) If we deduct personal tax payments from personal income, we get personal disposable income. Hence $\text{personal disposable income} = \text{personal income} - \text{Personal taxes}$...(2.10) National income accounting also shows personal savings as $\text{personal disposable income} - \text{personal outlays}$ consisting of personal consumption spending, interest paid by consumers and transfers to foreigners. Hence, $\text{Personal savings} = \text{Personal disposable income} - \text{Personal outlays}$ (consisting of personal consumption spending + Interest paid by consumers + Transfers to foreigners)(2.11) The national income accounting relation analogous to (2.4a) is given by $GNP = \text{Personal consumption expenditures} + \text{gross private domestic investment} + \text{government purchases of goods and services} + \text{Net exports}$ (2.12) 2.4 Nominal GNP is Real GNP In most analytical work the differences between national income, GNP, NNP and GDP are ignored, and GNP and national income are referred to interchangeably as output or income. All these measures are expressed in money terms and are, hence, nominal in nature; they fluctuate with changes in prices of commodities. But the welfare of the people in a community depends on the real output of goods and services, and not on their nominal values. So people often want to know how for a change in GNP reflects a change in output. The essential idea involved in the concept of real GNP, which is the value of the economy's output measured in the prices of some base year. Real GNP comparisons, based on the same set of prices, provide a better measure of changes in the economy's real output than nominal GNP comparisons. To estimate real GNP from nominal GNP, economists and statisticians use the concept of "the GNP deflator", which is the ratio $\frac{\text{Nominal GDP}}{\text{Real GDP}} = \text{Implicit GDP Deflator}$ (Billions of current Dollars) (Billions or 1992 Dollars)

Year	Nominal GDP (Billions of current Dollars)	Real GDP (Billions or 1992 Dollars)	Implicit GDP Deflator
1960	526 . 6	2,261 . 7	23 . 3
1970	1,035 . 6	3,388 . 2	30 . 6
1980	2,784 . 2	4,618 . 9	60 . 3
1990	5,743 . 8	6,138 . 7	93 . 6
1992	6,244 . 4	6,244 . 4	100 . 0
1997	8,079 . 9	7,188 . 8	112 . 4

of nominal to real GNP. It is a measure of inflation from some base-year prices to current prices. Since the GNP deflator is based on a calculation involving all goods produced in the economy, it is more frequently used to measure inflation rather than most other price indices. Thus, with 1990 prices as 100, if the GNP deflator for the year 2000 is 120, then there has been a 20% rise in prices over the years from 1990 to 2000. The real GNP has to be calculated accordingly. To fix the ideas involved, we reproduce from Richard T. Froyen's Macroeconomics the Economic report of the president (U.S.A.), 1998 giving the values of nominal and real GDP and implicit GDP deflator for selected years. Table 2.1 : Nominal GDP, Real GDP, and implicit GDP Deflator, Selected Years. 2.5 Some Important Identities 2.5.1 Closed Economy without Government Spending The relations (2 . 4a) and (2 . 12) refer to real open economies, where there are exports and imports. But to facilitate understanding of the nature of working of an economy, we first start with a closed economy, where there is neither any export nor any import. We also assume away government spending, taxes and transfer payments. In such an economy

24 the relations (2 . 3) and (2 . 4) reduce to the identity $Y \equiv E \equiv C + I \dots$ (2.13) where Y is national income, denoting the value of national output ($Y \equiv P.O.$). The first part of the identity tells that the income generated from the sale of the total output (Y) is identically equal to the total amount of expenditure made on the output (E). The second part of (2 . 13) points out to the fact that in a closed economy there can be two types of expenditure, namely, consumption expenditure (C) and investment expenditure (I). It should, however, be noted that all output produced in the economy may not be sold out during the same period. As a result unsold output would accumulate as inventories on firms' shelves. This inventory accumulation is treated as part of investment (as if firms sold the goods to themselves to add to their inventories). The identity (2 . 13) emphasizes how income is generated out of consumption expenditure on the one hand and investment expenditure on the other. How income is disposed of is emphasized by the second identity given by $Y \equiv C + S \dots$ (2 . 14) where S stands for saving. The identity (2 . 14) points out to the fact that though all persons in the economy are consumers, they are not all producers. The sum of all persons' income is national income (Y), and they dispose of their income as consumption expenditure (C) and saving (S), for whatever is not consumed out of current income is saved. From the identities (2 . 13) and (2 . 14) we get another identity. $S \equiv I \dots$ (2 . 15) which points out to the fact that in the simple closed economy, investment expenditure is the same as the value of national output that is not consumed and, hence, is saved. Looking the other way round, whatever is saved is either saved as inventories or is utilized for purposes other than consumption. Looking at (2 . 15) in yet another way, it can be stated that part of investment might be undesired inventory accumulation, occurring as a result of mistakes by producers who expected to sell more than they actually did. Thus, identity (2 . 15) is a reflection of our definitions of income, consumption, saving and investment.

25 2.5.2. Reintroducing the Government and Foreign Trade In a real open economy there is foreign trade and there is the public or government sector. The income identity appropriate for such an economy is the identity (2 . 4a) which is reproduced here as identity (2 . 16) : $Y \equiv C + I + G + NX \dots$ (2 . 16) In the real economy, there is not only government spending on goods and services, but there are also taxes (TA) and transfer incomes (TR) received by the private sector. Hence, utilizing the definition (2 . 10), disposable income (YD) can be defined as $YD \equiv Y + TR - TA \dots$ (2 . 17) From (2 . 11) we have $YD \equiv C + S \dots$ (2 . 18) Combining (2 . 17) and (2 . 18) we get $C + S \equiv YD \equiv Y + TR - TA$ or, $C \equiv YD - S \equiv Y + TR - TA - S$ Substituting this value of C in (2 . 16) we get $Y \equiv (Y + TR - TA - S) + I + G + NX$ or, $S - I \equiv (G + TR - TA) + NX \dots$ (2 . 19) The identity (2 . 19) is a very important one. The first set of terms on the right hand side of (2 . 19), $(G + TR - TA)$, is the government budget deficit, where $(G + TR)$ shows government spending on goods and services and on- transfer payments, while TA is government revenue collected from taxes. The second term on the right hand side of (2 . 19) is the excess of exports over imports, or net exports. Thus, identity (2 . 19) states that the excess of private saving over private investment ($S - I$) is equal to the government budget deficit plus the trade surplus. If $(S - I)$ is equal to zero, we have $G + TR - TA \equiv - NX \dots$ (2 . 20) It says that, if private saving is equal to private investment, then the government's budget deficit (surplus) is reflected in an equal external deficit (surplus).

26 2.3 Exercises a. Objective Type Questions : 1. An employee of a factory enjoys free quarters and gets a salary in money at the end of each month. His real income per month consists of (a) only free quarters (b) goods and services that can be bought with his money income plus free quarters. (c) goods and services that can be bought with his money income less free quarters. 2. The value added by a firm is equal to (a) the value of the output produced by the firm (b) the value of the inputs plus the value of the output (c) the value of the output less the value of the inputs. 3. A person drops his purse which contains some money into the river while crossing it in a boat. Then the loss (a) adds to his expenditure (b) adds to his saving (c) lowers aggregate demand. 4. A person saves out of current income. Then (a) national income is less than national expenditure GNP \$ 4,800 Gross investment 800 Net investment 300 Consumption 3,000 Government purchases of goods and services 960 Government budget surplus 30 (b) the saving by the person is part of national saving

27 (c) planned investment increases by the amount of saving. b. Short-answer Type Questions : 5. Show from national income accounting that : (a) An increase in taxes while transfers remain constant) must imply a change in the trade balance, government purchases, or the saving-investment balance. (b) An increase in disposable personal income must imply an increase in consumption or an increase in saving. (c) An increase in both consumption and saving must imply an increase. in disposable income. [For both (b) and (c) assume that there are no interest payments by households or transfer payments to foreigners]. 6. The following is information from the national income accounts for a hypothetical country : What is : (a) NNP? (b) Net exports? (c) government tax-transfers? (d) dispersible personal income? (e) personal saving? 7. What happens to GNP if the government hired unemployed markers, who had been receiving \$ TR in unemployment benefits, as govern-ment employees to do nothing, and paid them \$ TR? Explain. 8. What is the difference in the national income accounts between (a) A firm’s buying an auto for an executive and the firm’s paying the executive additional income to buy the automobile herself? (b) Your hiring your spouse (who takes care of the house) rather than having him or her do the work without pay? (c) Your deciding to buy an Indian car rather than a German Car? c. Long-answer Type Questions : 9. Explain why the national income accounts-do not measure all the economic activity that takes place? 10. Define the term gross domestic product. Explain carefully

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which transactions in the economy are included in GDP. What

is the difference between GNP and GDP?

28 11. Define the term national income. Why is NI not equal to GNP? 12.

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Define the terms personal income and personal disposable income. Conceptually how do these income measures differ from national income?

Of what usefulness are these measures? 2.7 References 1. Paul A. Samnebon & W. D. Nordhans, Economics, 2005. 2. Richard T. Froyen, Macroeconomics : Theories and Policies, 1999. 3. Rndigar Dornbusch and Stanley Fischer, Macroeconomics, 1990. 4. Amitav Ghose & M. Bhattacharya : Business Economics, 2000. 5. D. N. Dwivedi : Managerial Economics, 2002.

29 Unit-3 q The Simple Keynesian Model (SKM) Structure 3.0 Objective 3.1 Introduction 3.2 The Simple Keynesian Model (SKM) 3.3 The Consumption Function 3.4 Equilibrium in The SKM 3.5 The Theory of the Multiplier 3.6 Introducing the Government Sector in the SKM 3.7 Exercises 3.8 References 3.0 Obectives This unit will help you to understand l The concept of aggregate demand l The essence of macroeconomic equilibrium l The concept of the consumption function l The theory of the multiplier. 3.1 Introduction

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Modern macroeconomics can be said to have originated out of “the General Theory of Employment, Interest and Money”

written by John Maynard Keynes

in 1936. He pointed out that the programme of economic inquiry should be divided between “the theory of the individual industry or firm”, which is now called microeconomic theory on the one hand, and “the theory of output and employment as a whole”, which is now called macroeconomics on the other. Such a division of economics was in contradistinction to

30 the prevailing ideas making a distinction between the theories of value and distribution on the one hand and the theories of money on the other—a distinction which Keynes regarded as “a false division”. Keynes termed the prevailing economic inquiry as “classical economics”, the twin tenets of which were that the economy always operated at the full-employment level of output, that supply creates its own demand—the so-called say’s Law of Markets, and that the wage rate is determined by “the marginal disutility of the existing employment”. Keynes pointed out that these tenets or, what he called, the “postulates” of the classical economics all stand and fall together, and he set out to attack all of them. The motivation for this assault was based on empirical observation—the observation being that of persistent mass unemployment during the great Depression of the interwar period of the 1930s. To explain the situation he almost went to the opposite extreme of say’s law and maintained that a lack of effective demand, creating a situation of excess supply of commodities are a “glut”, does not automatically tend towards the establishment of full-employment. According to him, an inquiry into the components of effective demand gives a better understanding of the functioning of the economy.

3.2 The Simple Keynesian Model (SKM) The Keynesian model goes into a detailing of the components of effective demand or expenditure, which together with the output produced (Y) determine macroeconomic equilibrium. We have seen in Unit 2 that in a real open economy the components of expenditure can be divided into

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consumption expenditure (C), investment expenditure (I), government expenditure (G), and net

exports (NX), so that the income identity can be given by $Y \equiv C + I + G + NX \dots$ (3.1) (3.1) is an identity in the sense that it always obtains whether the economy is in equilibrium or not. The right-hand side of (3.1) constitutes aggregate expenditure which can be regarded as aggregate effective demand, while Y, standing for income is the money value of national output, which can be regarded as the supply of goods and services in the aggregate in the economy. By an analogy of market equilibrium, macroeconomic

31 equilibrium can be defined as a situation where the supply of output equals aggregate demand, or $Y = AD \dots$ (3.2) If we take aggregate demand as given, then, following (3.2), we can also define economic equilibrium as the level of output which exactly matches the given level of aggregate demand. The ideas involved can be illustrated by means of Fig. 3.1, in which aggregate demand is measured along the vertical axis and output along the horizontal axis. Any point on the 45° line OK implies equality between aggregate demand and output; so equilibrium output must obtain at some point on the line OK. If OA stands for aggregate demand prevailing in the economy, then equilibrium output must also obtain on the line AD. Both these conditions are satisfied at the point of intersection, E, of OK and AD. Hence, OQ, is the equilibrium level of output. At E, firms are selling as much as they have produced and people are buying the amount they want to purchase. So there is no tendency for the level of output to change. To the right of point E, output is greater than aggregate demand; so there is excess output. The excess output is shown by the vertical distance between the 45°-line and the level of aggregate demand shown by the line AD. This surplus output measures the extent of unintended inventory accumulation (IU), given by Fig. 3.1

32 $IU = Y - AD \dots$ (3.3) This amount of unsold output accumulates in the warehouses and shops. In particular, if OQ, is the level of output, the level of aggregate demand being OA, the amount of unintended inventory accumulation is LM. This would send out signals to producers to produce less. As a result output would tend to fall back to the level, OQ. A reverse process would take place if output is less than OQ where rapid expansion of stocks would require producers to replenish their desired level of stocks by producing more. So we see that an adjustment process for output changes based on unintended inventory accumulation actually moves output to its equilibrium value. Thus, the condition of economic equilibrium, given by (3.2), implies that unintended inventory accumulation defined by (3.3) should be zero. Or $IU = Y - AD = 0 \dots$ (3.2a) Components of Aggregate Demand in SKM In the real economy, aggregate demand cannot be taken as given. It is determined by various factors, which need to be investigated in order to understand the nature of economic equilibrium. To bring out the essential features of macroeconomic equilibrium, the simple Keynesian model assumes a closed economy where there is no government expenditure. In such an economy aggregate demand consists of consumption demand and investment demand only. Moreover, as we shall see in section 3.4, the simple Keynesian model also assumes a given level of investment demand. This makes the determinants of consumption demand or expenditure the most important factors determining equilibrium in the simple Keynesian model. The way consumption demand is determined defines, according to Keynes, the consumption function which we discuss in the next section.

3.3 The Consumption Function Keynes made the consumption function central to his

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macroeconomic theory. It is "an epoch-marking contribution to the tools of economic analysis"

and has played a key role in macroeconomic theory even since. According to Keynes, consumption is primarily determined by income, and he postulated

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that "men are disposed, as a rule and on the average, to increase their consumption as their income increases, but not by as much as the increase in their income".

To explain the nature of the concepts involved, we will start with a linear consumption function given by $C = a + eY$ (3.4) where C stands for the nation's total consumption expenditure for a given year and Y stands for national income for that year. The consumption function (3.4) is shown in Fig. 3.2 by the straight line AB in which income (Y) is measured along the horizontal axis and consumption expenditure (C) along the vertical axis. The intercept OA on the vertical axis is equal to the parameter "a" of the consumption function (3.4). The slope of the consumption function AB is "e" in (3.4). Average Propensity to Consume (apc) and its Properties The concept of the average propensity to consume (apc) gives us an idea of the rate at which the people as a whole of a community consume on the average out of their income. It is defined as the ratio of total consumption to total income which is national income. It is given by $apc = C/Y$ (3.5). The concept can be illustrated with reference to the consumption function AB in Fig. 3.2. According to the definition of apc of (3.5), if income is OY_0 , apc is given by $apc_0 = C_0/OY_0 = \tan \angle AYO_0 = e$. Similarly, if income is OY_1 , apc becomes $apc_1 = C_1/OY_1 = \tan \angle AYO_1 = e$. From the above values of the average propensity to consume we see that if the consumption function is a linear one where the parameter "a" is greater than zero, average propensity to consume goes on falling as income rises, and vice versa. When income is OY_2 , apc is greater than one and people consume more than what is produced. This is possible only if the country borrows from other countries or exhausts part of the existing stock of goods. If income rises to OY_1 , apc is less than one and people consume less than what is produced. What is not consumed is saved; at income OY_1 total saving is given by E_1K_1 . That apc falls as income rises when the consumption function is a linear one marking an intercept on the vertical axis can also be shown algebraically as follows Fig. 3.3

$C = a + eY$ (3.6) As Y increases, C increases, and e remaining the same, apc falls as Y increases. It should be noted that, if the consumption function is given by $C = eY$ (3.4a) So that the consumption function is a straight line passing through the origin, then $apc = C/Y = e$ (3.6a) So, if the consumption function is given by (3.4a) the average propensity to consume is a constant and equal to the slope of the consumption function. We will discuss about the consumption function (3.4a) later on. Marginal Propensity to consume (mpc) Unlike average

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propensity to consume, which is a measure of the rate at which total income which is spent on consumption, marginal propensity to consume as a measure of the part of change in income

that is spent on consumption. In Fig. 3.3, if income rises from OY_0 to OY_1 , consumption increases from C_0 to C_1 . The change in income is $OY_1 - OY_0 = \Delta Y$, and the change in consumption is $C_1 - C_0 = \Delta C$. The marginal propensity to consume (mpc) is given by $mpc = \Delta C / \Delta Y$ (3.7) For the consumption function (3.4), depicted in Fig. 3.3, if income increases from OY_1 to OY_2 then consumption increases from C_1 to C_2 and the corresponding mpc given by $mpc = \Delta C / \Delta Y$ (3.7a) is the same as in (3.7). This is so because, the consumption function (3.4) is a straight line and mpc is the same as the slope of the consumption function, which is a constant, e . In general; it can be shown that the marginal propensity to consume can be measured

36 at any level of income by the slope of the consumption function at that level of income. This is not only true for a straight line consumption function, whose slope at all levels of income is the same, but also for a consumption function which is not a straight line. Fig. 3.4 Now we can summarize the results that we have obtained for a straight-line consumption function : A : Consumption Function : $C = a + eY$ (i) a falls as income increases; (ii) mpc is a constant and is equal to e ; (iii) mpc is less than apc as is evident from (3.6). B : Consumption Function : $C = eY$ $a = 0$ $mpc = e$ for all levels of income. The Keynesian consumption Function : The straight-line consumption function depicts all the essential features of the consumption function formulated by Keynes, namely, (1) Real consumption expenditures are a stable function of real income. (2)

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The marginal propensity to consume is positive, but less than one. 37 (3) The marginal propensity to consume is less than the average propensity to consume (which means that

the latter declines with rising income). But, Keynes also maintained—though he stated it less positively—that the marginal propensity to consume probably declines as income increases. If this feature is also taken into consideration, the consumption function becomes a nonlinear curve like that of Fig. 3.4.

3.4 Equilibrium in the Simple Keynesian Model (SKM) We have already pointed out that in the Simple Keynesian Model the components of aggregate demand are only consumption expenditure (effective consumption demand) and investment expenditure (effective investment demand). To emphasize the role of the consumption function in determining equilibrium income, the SKM also Fig. 3.5 assumes that the level of investment expenditure is a known quantity, say I . Incorporating all these elements, the SKM can be given by the following set of relations, defining Model (M 1) : $Y = C + I$ $C = e(Y)$ (M 1) $I = I$

38 For simplicity's sake, we will, for the time being, assume that the consumption function is linear, so that (M 1) becomes (M' 1), where $Y = C + I$ $C = a + eY$ (M' 1) $I = I$ In this model (M' 1) there are three equations in three unknowns (Y, C, I). Investment (I), Fig. 3.6 however, is already known (I). The model is consistent with equilibrium. To get the value of equilibrium income (Y^E), we substitute the values of C and I in the first equation to get $Y = a + eY + I$ or, $Y(1 - e) = a + I$ or, $Y = \frac{a + I}{1 - e}$ (3.8) where A stands for $(a + I)$, called the autonomous part of the model, not related to income. Once the equilibrium value of income (Y^E) is determined, the equilibrium level of consumption is determined from the consumption function ($C = a + eY$). Investment is known already. Thus, all the unknowns are determined. The equilibrium solution (3.8) can also be shown graphically. In Fig. 3.5 CKD is the consumption function ($C = a + eY$), and CC' is the given amount of investment

39 expenditure (I). Adding I to the consumption function, we get the line $C'K'D'$ parallel to CKD , showing planned amounts of expenditure ($a + eY + I$) as a function of income. On the 45°-line through the origin expenditure is equal to income. Since expenditure must equal income, this equality must obtain on the 45°-line through the origin. On the other hand, planned amount of expenditure must obtain on the $C'K'D'$. Both these conditions are satisfied at the point of intersection, K' , of the 45°-line through the origin and the line $C'K'D'$. The level of income, Y^E , corresponding to the point K' , is the equilibrium level of income. The equilibrium level of consumption is $Y^E L$. The level of investment $K'L = C'C$ is already known. Fig. 3.5, like Fig. 3.1 discussed above, shows that equilibrium income obtains at the point where aggregate demand equals output. The only difference is that in Fig. 3.1 we considered aggregate demand as it may obtain in a real economy, while in Fig. 3.5 we consider aggregate demand in the SKM. Moreover, in Fig. 3.1 we assumed aggregate demand to be the same at all levels of output (income), but in Fig. 3.5 we consider aggregate demand as a function of income. If the SKM is given by (M 1), where the consumption function is not a linear one, it would not be easy to determine the equilibrium level of income algebraically. But a graphical representation of the model would be similar to that of Fig. 3.5. It is shown in Fig. 3.6, where $C_1 K_1 D_1$ is the consumption function and $C_1 C'_1$ is the given level of investment (I). The equilibrium level of income, Y^E , corresponds to the point of intersection (K'_1), of the aggregate demand curve $C'_1 K'_1 D'_1$ and the 45°-line through the origin. The equilibrium level of consumption is $K_1 Y^E$, the level of investment being given. **Properties of Equilibrium in the SKM** The level of equilibrium income (Y^E) of the SKM has some important properties. **Property 1** : Given the consumption function, every level of investment expenditure determines a unique level of equilibrium income. The phrase "given the consumption function" means that we know the equation of the consumption function and the values of parameters of the consumption function, so that we can draw graphically the consumption function (because C and Y are the only variables in the consumption function). If the consumption function can be drawn graphically as in Fig. 3.5 and Fig. 3.6, the position of the aggregate demand function

40 will be determined by the level of investment demand. The point of intersection of the aggregate demand function with the 45°-line through the origin will depend on the level of investment demand. Hence the statement. The point can also be made clear with reference to the result (3.8), which assumes a linear consumption function. The linear consumption function can be said to be known if the values of the parameters of the consumption function, a and e are known. Given the values of a and e , the value of equilibrium income is uniquely determined by the value of (I) in (3.8).

Property 2 : Economic equilibrium in the SKM is obtained when planned amount of saving is equal to planned amount of investment. Fig. 3.8 Fig. 3.7

41 In the SKM given by (M_1) and (M'_1) we would now assume that the given level of investment is the planned amount of investment. To determine the planned amount of saving at any level of income, it should be noted that in the SKM, consumption expenditure is active and saving is passive in the sense that people take decisions with respect to consumption depending upon income and what is left out of income after consumption is saving. Saving is defined as $S = Y - C$ (3.9) Substituting the consumption function $(C = a + eY)$ in (3.9) we get $S = Y - (a + eY)$ or, $S = -a + (1 - e)Y$ (3.10) The relation (3.10) shows that saving is a function of income. This is so because Fig. 3.9 consumption is a function of income and according to (3.9), what is not consumed out of income is saved. The saving function can also be derived graphically from the consumption function of Fig. 3.3 and Fig. 3.4. In the following we derived the saving function (3.10) graphically from Fig. 3.3. The same procedure should be followed to derive the saving function graphically from Fig. 3.4. In Fig. 3.7, lmn is the consumption function $(C = a + eY)$. When income is zero

42 $(Y = 0)$, consumption is equal to a , which is greater than zero. This is possible, if there is dis-saving of the same amount. This dissaving at $Y = 0$, is shown by the distance Ol' ($= Ol$) in Fig. 3.7. If income is OY_0 , consumption is $l - a + eY_0 = mY_0$ which is same as income ($= OY_0$). Hence, saving at income OY_0 is zero, for whatever is earned is consumed. The straight-line saving function (3.10), starting at l' must pass through the point Y_0 . So, $l'Y_0k$ is the saving function (3.10). If income is OY_1 , consumption is Y_1n , saving is $n'n$, which is the same as Y_1k . Now we are in a position to prove property 2. Fig. 3.8 is obtained by superimposing the saving function $(S = -a + (1 - e)Y)$ on Fig. 3.5. The equilibrium level of income Y_E is obtained as in Fig. 3.5. The given level of investment is Ol , which is the same as ll'' . The given level of investment, shown by the line ln' , is assumed to be the planned level of investment. It intersects the saving function, showing planned levels of saving at different levels of income at n' , which corresponds to the same equilibrium level of income, Y_E . Property 2 implies that saving can be regarded as supply of resources available for investment. If equal amount of planned investment is forthcoming, then supply matches demand to establish equilibrium. Paradox of Saving : Property 2 also leads to the paradoxical result that if all persons in a community want to save more, they end up with saving less. This result is obtained when investment is a rising function of income. The paradox is shown in Fig. 3.9. The investment function $I = I(Y)$ is shown by the line IJK and the saving function is SLK . The equality of planned amount saving and planned amount of investment—both planned with respect to income—takes place at the point K , determining the equilibrium level of income Y_0 . If people want to save more, the saving function shifts to the position $S'JK'$; at each level of income people want to save more. Now, the equilibrium level of income Y_1 corresponds to the intersection point, J , of the investment function and the new saving function. From Fig. 3.9 we see that while previously total saving was OS_1 , now it has fallen to OS_2 . The reason is that trying to save more reduces income, which in its turn reduces saving.

43 Property 3 : Equilibrium income in the SKM is determined by the level of autonomous expenditure, not related with income, and the multiplier. If the level of autonomous expenditure is A and the value of the multiplier is m , then equilibrium income Y_E , is given by $Y_E = mA$ (3.11) In the model M'_1 , the level of autonomous expenditure is $(a + I)$ and the value of the multiplier, m , is $1/(1 - e)$. Hence, in that model equilibrium income is given by $Y_E = (a + I)/(1 - e)$. In the next section we discuss in detail the theory of the multiplier. 3.5 The Theory of the Multiplier The theory of the multiplier states that if the level of investment changes and the new level of investment is maintained, then the equilibrium level of income changes in the same direction by some multiple of the change in the level of investment. If the change in the level of investment is ΔI and the change in equilibrium income is ΔY , then the relevant multiplier is $\Delta Y / \Delta I$. The multiplier acts both ways and, if the level of investment decreases and the new level of investment is maintained, then the equilibrium level of income would decrease by some multiple of the decrease in investment. The multiplier is essentially dynamic in nature, for the new level of income takes time to be established. But the theory of the multiplier can be studied both statically and dynamically. Static Multiplier : In the static theory of the multiplier, the multiplier is calculated on the basis of static or equilibrium values of income. It can be studied algebraically and also in terms of a diagram. Algebraically, the value of the multiplier can be determined from the model (M'_1) . In

44 the model (M' 1), if the given level of investment is I_1 , then the model becomes $Y = C + I$ $C = a + eY$ $I = I_1$ The corresponding equilibrium level of income is given by $Y_1 = a + eY_1 + I_1$ from relation (3.8). If the level of investment increases to I_2 , where $I_2 = I_1 + \Delta I$ and the new level of investment is maintained, then the corresponding equilibrium level of income is $Y_2 = a + eY_2 + I_2$. If we define $\Delta Y = Y_2 - Y_1$, then the value of ΔY is $\Delta Y = a + eY_2 + I_2 - a - eY_1 - I_1 = e(Y_2 - Y_1) + \Delta I$ or, $Y_2 - Y_1 = \frac{\Delta I}{1 - e}$ (3.12) e is the marginal propensity to consume in the consumption function $C = a + eY$. In the general case in which the consumption function may not be a straight-line, the value of the multiplier is given by $\frac{1}{1 - mpc}$ (3.12a) where mpc and mps are the marginal propensity to consume and the marginal propensity to save, respectively, since $mpc + mps = 1$ and mpc and mps are positive fractions; higher the value of mpc , that is, the smaller the value of mps , the higher is the value of the multiplier. Thus, in a community where people, on the average, consume more and save less, the value of the multiplier will be higher, and vice versa. If mpc is $\frac{3}{4}$,

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the value of the multiplier is 4 and if mpc is $\frac{9}{10}$, then the value of the multiplier is 10.

The static multiplier can also be studied graphically. It can be shown graphically that the change in income would be greater than the change in the level of investment. The student is advised to show this in a diagram. Dynamic Multiplier : The static multiplier arrives at the value of the multiplier by a consideration of static equilibrium values of income, Y_1 , and Y_2 . It does not tell us how the new equilibrium is reached, once the economy departs from the old value of equilibrium income. The dynamic multiplier, by contrast, shows the value of income at each stage of its increase from one equilibrium value of income to the next equilibrium income as the level of investment changes. To show this, it is to be noted that dynamic analysis is one where time enters into the picture "in an essential way". For dynamic considerations, we change the model (M 1) in the following way $Y_t = C_t + I_t$ $C_t = e(Y_{t-1})$ (M 2) $I_t = I$ The first equation of model (M 2) says that income during the period t is the same as expenditure during the same period, which consists of consumption expenditure during t and investment expenditure during the same period. The consumption function of M 2 says that consumption during the

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period t is a function of income of the previous period (Y_{t-1}), which may be a more realistic assumption. Investment during t is the same as the given value of investment. In the consumption function is a linear one model M 2 becomes $Y_t = C_t + I_t$

$C_t = a + eY_{t-1}$ (M' 2) $I_t = I$ Substituting the equations for C_t and I_t in the first equation of (M' 2) we get $Y_t + a + eY_{t-1} - 1 = I$ And, since in equilibrium $Y_t = Y_{t-1} = Y$, we have $Y = a + eY + I$ or, $Y = \frac{a + I}{1 - e}$ which is the same as in relation (3.8). Starting with this equilibrium situation, if we assume that the level of investment spending rises by ΔI , and the new level of investment is maintained, then the sequence of income can be shown as follows. For simplicity's sake we now omit the time subscripts, remembering the functional relationships. Period 1 : $Y + \Delta Y = C + I + \Delta I$ where $\Delta Y = \Delta C$ In Period 1, the level of investment spending rises from I to $(I + \Delta I)$. Automatically, income rises by the same amount, so that $\Delta Y = \Delta I$. It is to be noted that, since consumption in period t is related to income of Period $(t - 1)$, there is no change in the consumption expenditure. But in Period 2 consumption changes since income in Period 1 has increased. We continue to assume that the new level of investment is maintained. Thus, we have Period. 2 : $Y + \Delta Y + \Delta Y = C + \Delta C + (I + \Delta I)$ where $\Delta Y = \Delta C = e\Delta Y = e\Delta I$ Again, income rises in Period 2, even though there has not been any change in the level of investment. The rise in income in Period 2 will induce consumption to rise in the next period. Hence, we have Period 3 : $Y + \Delta Y + \Delta Y + \Delta Y = C + \Delta C + \Delta C + (I + \Delta I)$

47 where $\Delta^2 Y = \Delta^2 C = e\Delta^1 Y = e^2 \Delta I$ In this way, income and, consequently, consumption continue to increase ad infinitum. If the total increase in income is ΔY , it is given by $\Delta Y = \Delta^0 Y + \Delta^1 Y + \Delta^2 Y + \dots = \Delta I + e\Delta I + e^2 \Delta I + \dots = \Delta I (1 + e + e^2 + \dots) = \Delta I \frac{1}{1-e}$ since $0 \leq e < 1$. Therefore $\Delta Y = \frac{\Delta I}{1-e}$ Thus, the value of the dynamic multiplier is the same as that of the static multiplier of (3.12).

3.6 Introducing the Government Sector in the SKM Introduction of the government sector implies taking into the income account the government expenditure on goods and services and transfer payments on the one hand, and government revenue from taxes on the other. National income (Y) which is equivalent to national expenditure (E) or aggregate effective demand (AD) is now given by $Y = C + I + G$ (3.13) In the SKM, I = but consumption (C) IS now a function of disposable income (YD) which is related to Y as $YD = Y + TR - TA$ (3.14) where TR stands for transfer payments and TA for taxes. If we assume that the consumption function is a linear one, it can be given by $C = a + eYD = a + e(Y + TR - TA)$ (3.15) Let us assume that the government's fiscal policy is defined as

48 $G = G$ TR = TR and $TA = tY$ (3.16) where G and TR are the given amounts of government expenditure and transfer payments and t is the rate of income taxation. The consumption function now becomes $C = a + e(Y + TR - tY) = a + eTR + e(l - t)Y$ (3.17) Substituting (3.16) and (3.17) in (3.13) we get $Y = a + eTR + e(l - t)Y + I + G$ or, $Y\{1 - e(l - t)\} = a + eTR + I + G$ (3.18) The right-hand side of (3.18) is the antinomious part of the SKM with the assumptions mode above. Let us call it A, so that $A = a + eTR + I + G$ (3.18) can now be written as $Y\{1 - e(l - t)\} \cong A$ or, $1(1 - e(l - t)) = \frac{A}{Y}$ m A e t where $1(1 - e(l - t)) = m$ e t is the value of the multiplier. (3.19) Properties of the SKM with the Government Sector

Property 1 : Income taxes reduces the value of the multiplier. If the rate of income taxation is zero, the multiplier m becomes the same as m in (3.12). Thus, income taxation acts as an automatic stabilizer, which redness the magnitud of income fluctuations. Property 2 : A change in the level of government spending changes th value of equilibrium income in the same direction by same multiple (m) of the change in government spending $\Delta Y = \Delta Y m \Delta G$ Property 3 : An increase in government transfer payments increase equ librium income, the. change in income being given by $\Delta Y = \Delta Y m e TR$ Property 4 : If the government reduces the rate of income taxation from t to t', so that the change in the tax rate is Δt , Ai, disposable income initially chang by $(-Y \Delta t)$ where Y 0 is the initial value of the equilibrium income. The chan in consumption due to this change in disposable income is $(-eY \Delta t)$. When the tax rate is reduced, the increase in disposable income induces change in income equal to $e(l - t')\Delta Y 0$, Hence the total change in income is : $\Delta Y 0 = -eY \Delta t + e(1 - t') \Delta Y 0$ or, $\Delta Y 0 \{1 - e(1 - t')\} = -eY \Delta t$ or, $\Delta Y 0 = \frac{1}{1 - e(1 - t')} (-eY \Delta t)$. Property 5 : The value of the Balanced Budget Multiplier is unity. The balanced budget multiplier refers. to the effects on income of an increase in government expenditure accompanied by an equal increase in taxes, so that $\Delta G = \Delta T$. To study the effects, let us note that when government expenditure rises, income rises by the same amount initially, but later on, income rises due to rises in consumption expenditure in subsequent periods. Hence, the changes in income due to a rise in government expenditure can be given by the series 2 | $\Delta \Delta = \Delta + \Delta + \Delta + Y G G e G e G = \Delta G (1 + e + e^2 + \dots)$ (3.20) The rise in taxes, however, does not have an immediate impact on ex-penditure and, hence, on income. But the consequent decrease in disposable income leads to a cut in consumption expenditure, which reduces income which, in its turn, reduces consumption expenditure again. This process goes on as above. Thus, the reduction in income due to a rise in taxes can be given by

50 | $\Delta \Delta Y G = e\Delta T + e^2 \Delta T + e^3 \Delta T + \dots = \Delta T (e + e^2 + e^3 + \dots)$ (3.21) Subtracting (3.21) from (3.20) we have $\Delta Y | \Delta \Delta \Delta \Delta - Y Y G T = \Delta G(1 + e + e^2 + \dots) - \Delta T(e + e^2 + e^3 + \dots)$ And since $\Delta G = \Delta T$, we have $\Delta Y = \Delta G(1 + e + e^2 + \dots) - \Delta G(e + e^2 + e^3 + \dots) = \Delta G$ Therefore, l $\Delta = \Delta Y G$ This value of the balanced budget multiplier critically depends upon then assumption that government expenditure has no impact on private investment through changes in the interest rate. But in most developed countries, operating near full employment, an increase in government expenditure raises the interest rate and, thereby, lowers private investment. This is called "crowding out" of investment. Under these conditions, the value of the balanced budget multiplier will be less than one. We will discuss crowding out effects in greater detail later on.

3.7 Exercises a. Objective Type Questions : 1. If the consumption function is given by $C = a + bY$, and income increases what happens to average propensity to save (aps) : (a) it falls; (b) it remains the same; (c) it increases; (d) none of the above. 2. I the consumption function is $C = bY$, and income increases, which on of the following is true : (a) $apc = aps$; (b) $mpc = aps$;

51 (c) $aps = mps$; (d) none of the above. 3. If the people of a community consume a fixed but a high percentage amount of income, the value of the multiplier is (a) high; (b) low; (c) $1 - aps$; (d) none of the above. 4. The value of the balanced-budget multiplier in the SKM is unity because (a) change in government expenditure adds to income while change in taxes does not; (b) change in government expenditure is greater than the change in tax revenue; (c) change in government expenditure immediately adds to income, but change in taxes affects income only by affecting consumption; (d) none of the above.

Short-Answer Type Questions

5. In the SKM without the government sector we called the $C + I$ function the aggregate demand schedule for the national output. What is the aggregate supply schedule for national output? 6. Madhu Ghosh's consumption function is given by $C = Rs. 800 + 0.8y$ where y and C represent his income and consumption respectively. What is the equation of his saving function? Calculate the break-even level of his income (Hint: At break-even level of income, consumption is equal to income). 7. Prove that for any consumption function $aps + mpc = 1$ and $mps + mpc = 1$. 8. Jatin consumes all his income. Draw Jatin's consumption and saving schedules.

Long-Answer Type Question

9. Suppose the consumption function is given by $C = 100 + 0.8Y$, while investment is given by $I = 50$. (a) What is the equilibrium level of income? (b) What is the amount of saving in equilibrium? (c) If, for some reason, output were at the level of 800, what would be the amount of inventory accumulation? (d) What is the value of the multiplier, m , here? (e) If I were to rise to 100, what would the effect be on equilibrium income? 10. Suppose consumption behaviour were to change in problem 9 so that $C = 100 + 0.9Y$, while I remained at 50. (a) Would you expect the equilibrium level of income to be higher or lower than in 9a? Calculate the new equilibrium level, Y' , to verify this. (b) Now suppose investment increases to $I = 100$. What is the new equilibrium income? (c) Does the change in investment spending have more or less of an effect on Y than in Problem 9? Why? 11. This problem relates to the so-called paradox of thrift. Suppose that $I = JO$ and $C = CO + eY$, where CO is a constant. (a) What is the saving function? (b) Suppose individuals want to save more at every level of income. Show, using a figure, how the saving function is shifted. (c) What effect does the increased desire to save have on the new equilibrium level of saving? Explain the paradox. 12. This model includes the government sector. Suppose consumption is given by $C = 100 + 0.8YD$ and that $I = 50$, while fiscal policy is summarized by $G = 200$, $TR = 62.5$, and $t = 0.25$. (a) What is the equilibrium level of income here? (b) What is the value of the new multiplier? Why is this less than the multiplier in Problem 9d?

3.8 References 1. Rudiger Dornbusch and Stanley Fischer, *Macroeconomics*, Eighth Edition 1990. 2. Paul A. Samuelson, *Economics*, 1973. 3. Bernt P. Stigum and Marcia L. Stigum, *Economics*, 1968. 4. Eric Pentecost, *Macroeconomics: an open economy approach*, 2002.

Unit-4 Extensions of the Simple Keynesian Model Structure

4.0 Objective 4.1 Introduction 4.2 Interest Rate and Aggregate Demand 4.2.1 Investment Demand Function and the IS Curve 4.2.2 Properties of the IS Curve 4.2.3 The IS Curve and the Goods Market Equilibrium 4.3 Determination of the Rate of Interest 4.4 The Classical Quantity Theory of Money 4.5 The Keynesian Theory of the Demand for Money 4.5.1 The Keynesian Theory of the Money Market Equilibrium 4.5.2 Properties of the LM Curve 4.5.3 Equilibrium in the Goods and Money Markets 4.6 Effects of Monetary and Fiscal Policies 4.6.1 Monetary Policy 4.6.2 Fiscal Policy 4.7 The Policy Mix 4.8 Exercises 4.9 References 4.0 Objective This unit will help you to understand

The Classical Quantity Theory of Money | The Keynesian Theory of the Demand for Money | Equilibrium in the Goods and Money Markets | Operation of Monetary and Fiscal Policies.

4.1 Introduction The characteristic feature of the simple Keynesian Model (SKM) discussed in unit 3 was that the level of investment expenditure was taken as given, determined exogenously to the model. But investment expenditure, like any other variable, is determined endogenously by factors which play important roles in the marking of the economy. Investment is one of key factors determining not only national income as shown in relation (2.16) above, but as we shall see, it also determines the rate at which the economy is likely to grow. Investment means additions to the physical stock of capital and does not include buying of bonds or securities. In particular, investment includes housing construction, building of machinery, construction of factories and offices, and additions to firms' inventories of goods. In a wider sense, investment means any current activity that increases the economy's ability to produce output in the future—activity which includes expenditures to improve human capital as well. Human capital is the knowledge and ability to produce that is embodied in the labour force. Thus, education can be regarded as investment in human capital. By 'investment' we generally mean private investment though there can be public investment undertaken by the government. Private investment is made with an aim of making profits in the future by operating machines and factories. Most firms have to borrow to buy machines and factories that they use. If the interest rate is higher, the firms would have to pay more in interest each year from the earnings they receive from their investment. Thus, the higher the interest rate, the less the firms will want to invest. Conversely, the lower the interest rate, the higher is likely to be the level of investment. This idea is reflected in the investment demand schedule. Investment Demand Schedule The inverse relationship between the rate of interest and the demand for investment. can

56 be represented functionally as $I = I(r) \quad I' > 0 \dots (4.1)$ If the functional relationship is a linear one, (4.1) would be come $I = I - br \quad b < 0 \dots (4.1a)$ where r is the rate of interest and b measures the interest responsiveness of investment. I is autonomous investment which is independent of the rate of interest. Fig. 4.1(a) and Fig. 4.1(b) depict the investment demand functions (4.1) and (4.1a) respectively. On the vertical axes we measure the market rate of interest, while the horizontal axes measure planned amount of investment expenditure. Fig. (4.1) The position and slope of the I' schedule in Fig. 4.1 (b) depend on the values of I and b in relation (4.1a) respectively. In particular,

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the higher the value of b , the greater is the responsiveness of- investment to changes in the nterest rate and the steeper is the

I' schedule, and vice-versa. Planned amount of investment (b) (a)

57 4.2 Interest Rate and Aggregate Demand If we introduce the investment demand function (4.1) or (4.1a) in the aggregate demand function, the simplicity of the SKM as depicted in models (M₁) and (M' 1) is lost. The models no longer yield unique solutions of income. The changes brought about can be studied as follows. 4.2.1. Investment Demand Function and the IS Curve We now replace the third equation, $I = I$, in the model (M₁) by the relation (4.1). The model now becomes $Y = C + I \quad C = e(Y) \quad (M' 3) \quad I = I(r)$ For simplicity, if we use linear functions, we replace $I = I$ by (4. 1a) and use (M' 1), which now becomes $Y = C + I \quad C = a + eY \quad (M' 3) \quad I = I - br$ What is to be noted is the fact that both (M' 3) and (M' 3) consist of three equations in four unknowns (Y, C, I and r). As a result, the models are under determined; we do not get unique values of the variables involved. But, if th rate of interest, r , is known, then from (4.1) or (4.1a) the level of investmen I is known. And once I is known, the levels of income. and consumption an determined from the first property of the SKM and the consumption functio₁ respectively. Thus, starting with a given value of the rate of interest, we em up with an equilibrium value of income (and hence consumption). This rela tionship between the rate of interest (r) on the one hand, and the value o equilibrium income (Y) on the other, is an inverse one and is known as th IS curve. If we use model (M' 3), the IS schedule would be a curve like $I' 1 S$ as in Fig. 4.2(a). And if use the model (M' 3), the IS curve would be a straig' live like $I' 1 S' 1$ of Fig. 4.2(b).

58 Fig. 4.2 4.2.2. Properties of the IS Curve The position, shape and slope of the IS curves in Fig. 4.2 would depend on the nature of the equations and the values of their parameters in models (M' 3) and (M' 3). To facilitate understanding and to derive the IS curve alge-braically, let us deal 'with the model (M' 3). From the three equations in (M' 3) we get $Y = a + eY + - I - br$ or, $a + I (1-e)Y r = - b b$ or, $A 1 r = - Y b m b \dots\dots\dots (4.2)$ where $A (= a + I)$ stands for antimonious spending and $() 1 m = 1-e ? ? ? ? ? ? ? ?$ for the multiplier. Equation (4.2) is the equation of the IS curve when the income model is (M' 3). The equation specifies the slope and the position of the IS Curve. In particular, if there is any change in antimonious spending A , then the curve shifts parallel to itself without any change in

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the slope of the IS curve. A change in the value of the multiplier (m) changes the slope of the IS curve.

And a change in the responsiveness of aggregate demand to changes in the interest rate, (b), changes not only the. position, but also

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the slope of the IS curve. 4.2.3. The IS Curve and the Goods Market Equilibrium The IS curve·

stands for the goods market equilibrium positions. It shows combinations

59 of interest rates and levels of output (income) such that demand equals supply in the goods market. The goods market consists of consumption and investment goods in the aggregate. The rate of interest determines demand for resources for investment, while income via consumption generates resources through saving. Particular combinations of the rate of interest and income generate equilibrium in the goods market. Any combination of the interest rate and income (output) not lying on the IS curve would indicate a situation of disequilibrium. A situation of disequilibrium in the goods market can be characterized either as a situation of excess demand in the goods market (EDG) or a situation of excess supply in the goods market (ESG). Fig. 4.3 These two types of situations are depicted in Fig. 4.3. The point E, on the IS curve shows that at the rate of interest r_e , Y_e is the equilibrium amount of income (or output). If at the rate of interest r_e , output (income) is greater than Y_e , say Y_1 , then the level of investment demand depending on r_e is too low to match the amount of resources released at income Y_1 . Thus, the combination (r_e, Y_1) , indicated by the point E, is a situation of excess supply in the goods market (ESG). Similarly, at the rate of interest r_e , the equilibrium level of output (or income) is Y_e . If, for some reason, the level of output (or income) is Y_2 , then investment demand, together with consumption demand, exceeds the level of output. Thus, the combination (r_e, Y_2) indicated by the point E, in Fig. 4.3 is a situation of excess demand in the goods market (EDG). In general, points above and to the right of the IS curve indicate situations of excess supply of goods (ESG), and points below and to the left of the IS curve indicate situations of excess demand for goods (EDG).

60 If there is excess supply of goods (ESG), inventories would accumulate, which would force the output to fall till the equilibrium is reached on the IS curve. Conversely, if there is excess demand for goods (EDG), firms would run short of inventories, which they would try to replenish. This would force the output to rise till equilibrium is reached. The arrows in Fig. 4.3 indicate the direction of the forces that are generated in the goods market when it is not in equilibrium. 4.3 Determination of the Rate of Interest In the models (M3) and (M'3), as a new variable, the rate of interest, r , has been introduced. Introduction of this variable has made the models incomplete. To make the models complete, we need theories and equations for the determination of the rate of interest. Regarding the determination of the rate of interest we can distinguish between the classical and the Keynesian theories. The classical economists thought that

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the rate of interest is a "real phenomenon" and is determined by the demand for and the supply of

loans for investment. The rate of interest is a price for taking loans for investment on the one hand, and is a reward for abstaining from consumption on the other. Abstinence from consumption implies saving which constitutes the supply of resources available for loans. The rate of interest, being a price for taking loans for investment, is, like the price of any commodity, inversely related with the demand for investment.

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The higher the rate of interest, the lower is the demand for investment, and vice versa.

Thus, the classical investment demand schedule can be represented by the function (4.1) or (4.1a) discussed above. Since the supply of loans comes out of savings, the classical supply-of-loans for investment function is the classical saving function, where saving is a function of the rate of interest. The argument is that saving is painful because it implies an abstinence from consumption which provides utility. People will be encouraged to undertake this painful act if they are rewarded for that. This reward is

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the rate of interest. The higher the rate of interest, the

greater is the rate of saving.

61 Fig. 4.4 The classical

saving schedules are shown in Fig. 4.4(a) and Fig. 4.4(b), the corresponding functional forms being $S = S(r)$ <math>0 <math> \dots <math> (4.3) and $S = S + Sr$ <math>0 <math> \dots <math> (4.3a) (4.3) and (4.3a) respectively.

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In the classical system, the rate of interest is determined by the demand for

investment function and the

saving function. Using the functional forms (4.1) and (4.3), the algebraic formulation of the classical theory for the determination of the rate of interest can be given by the model (M 3) as follows : $S = S(r)$ $I = I(r)$ (M 4) $S = I$ The corresponding diagrammatic representation is shown in Fig. 4.5, where r_0 is the equilibrium rate of interest, the equilibrium amount of saving and investment. Fig. 4.5

62 4.4 The Classical Quantity Theory of Money In the next section when we discuss the contrasting Keynesian views, we will see that Keynes treated the rate of interest as a "monetary phenomenon", by which it is meant that the rate of interest is determined in the money market. But before we go into a discussion of the Keynesian approach to the determination of the rate of interest, it would be worth while to have a look at the classical point of view regarding the role of money in the economy. Money, as we all knew, is a generally accepted medium of exchange. Using money for exchange avoids all the difficulties of barter, that is the exchange of goods for goods. Acting as the medium of exchange is the primary and the most important function of money. But money has other functions too. Money is unit of account and is a standard of deferred payments. All prices are expressed in terms of money. Indeed, all current and future or deferred transactions are made in terms of money (such as when I borrow Rs. 10,000 today and agree to pay back Rs. 15,000 two years later). Money is a safer way of holding at least part of one's wealth, since wealth held in stocks, land, homes and bonds is subject to ups and downs in their values. Moreover, money holding is a necessary precaution against unforeseen contingencies like a sudden need to spend money or an unexpected delay in some receipt. Classical economists emphasized the medium-of-exchange function of money and tended to ignore the other functions of money mentioned above. They thought that people hold money only to buy goods and services; the more money they need for such transactions, the more money they hold. Thus, the quantity of money in the economy is closely related to

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the amount of money exchanged in transactions. The classical theory of money is popularly known as the quantity theory of money.

It has two versions. The Fisherian Version Irving Fisher began with a simple identity. In every transaction there is both a buyer and a seller, and hence for the aggregate economy the value of sales must equal the value of receipts. Now the value of sales must be equal to the number of transactions undertaken over any time period multiplied by the average price at which they take place. On the other hand, the value of purchases must be equal to the amount of money in circulation in the economy times the average number of times it changes hands over the

63 same period. The identity is known as the "Equation of Exchange" and is given by $MV = PT$ (4.4) or, $MV = PY$ (4.4a) where M is the quantity of money, that is, the amount of ordinary, hand-to-hand currency. V is called

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the transactions velocity of money and measures the rate at which money circulates in the economy,

that is, the average number of times that this M actually changes hands during the period under consideration. If the period under consideration is one year, then V represents the total number of transactions during a given year, which is closely related to the total amount of output of goods and services (Y). In other words, V is the number of times in a year that goods and services are exchanged for money. P is the average price level which can be taken as the price of a typically transacted goods & services. The product of the price of a transacted goods & services and quantity T of goods & services in a year PT, equals the number of rupees exchanged in a year. Let us illustrate the idea. Let total amount of money at any time is (M) Rs. 100.00. It is used to times (V) in a year to make payment for goods and service. So total amount of payment is made in a year is $MV = \text{Rs. } 100.00 \times 10 = \text{Rs. } 1000.00$. This must be paid against a value of commodity of same amount rupees and this must be equal to price (P) multiplied by the total quantity of goods and services (T). Thus with say price Rs. 5.00 (P) and total quantity exchanged 200 units (T) in a year, it is $\text{Rs. } 5.00 \times 200 = \text{PT}$ i.e. $MV = PT$. The classical economists assumed that T and V can be taken as constants in a given economy during a given period, say one year. The total amount of goods transacted, T, as we have already pointed out, is very closely related to the total amount of output of the economy (Y). And, as the classical economists assumed, the economy has its only equilibrium at full employment levels of output. Moreover, Fisher argued that, in equilibrium, the velocity of money, V, was determined by the payment habits and payment technology of the society, and could be regarded as fixed for the start run. If V and T or Y are constants, the price level, according to the quantity theorists, changes in the same direction as M changes and changes proportionately. In this sense, the quantity theory of money is a theory of the rate of inflation, because the inflation rate is the percentage change in the price level. In percentage form the quantity equation (4.4a) can be written as. Percentage

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change in M + percentage change in V = percentage change in P + Percentage change in Y

And if V and Y are constants, we would have percentage change in M = Percentage change in P since percentage change in V and that in Y would both be equal to zero. The Cambridge Version The Cambridge economists (Alfred Marshall, A. C. Pigou and others) did not ask, as did Fisher, what determined the amount of money needed to carry out a given volume of transactions, but rather what would determine the amount of money an individual would wish to hold given that the desire to undertake transactions made money holding desirable at all. Thus the question was put in macroeconomic terms and laid emphasis on the choice-making behaviour of individuals. Marshall began by focusing on the individual's decision on the optimal amount of money to hold. Some money will be held because of the convenience that money provides in transactions compared with other stores of value. Money also provides security by lessening the possibility of inconvenience or bankruptcy from failing to be able to meet unexpected obligations. But as Pigou noted, "currency held in the hand yields no income", so money will be held only insofar as its yield in terms of convenience and security outweighs the income lost from not investing in productive activity or satisfaction lost by not simplifying the money to purchase goods for consumption. Marshall and other Cambridge economists argued

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that, other things being equal, the demand for money in nominal terms would be proportional to the nominal level of income for each individual, and hence for the aggregate economy as well.

Thus they wrote the demand equation for money : $M_d = kPY$ (4.5) which, combined with, an equilibrium condition for the money market ($M_d = M$) as gives us $M = kPY$ (4.5a) The formal equivalence of the Cambridge equation and Fisher's of the equation of exchange can be seen by rewriting (4.5a) as $M \cdot 1/k = PY$ (4.5b) when $1/k$ equals V.

65 4.5 The Keynesian Theory

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of the Demand for Money The Keynesian theory of the demand for money is a development of the Cambridge Version of the quantity theory of money,

which started with the question why people demand money. According to Keynes, people have three different motives for holding money : (1) The transactions motive, which is the demand for money arising from the use of money in making regular payments; (2) The precautionary motive, which is the demand for money to meet unforeseen contingencies; and (3) The speculative motive, which arises from uncertainties about the money value of other assets that an individual can hold. Although we examine the demand for money by looking at the three motives for holding it, we cannot separate a particular person's money holdings say Rs. 10,000, into three neat piles of, say Rs. 5000, Rs. 2000 and Rs. 3000 each being held for a different motive. Money being held to satisfy one motive is always available for other use. The person holding unusually large balances for speculative reasons also has those balances available to meet an unexpected emergency, so that they serve, too, as precautionary balances. All three motives influence an individual's holdings of money, and as we shall see, each leads to the prediction that the demand for money should fall as the interest rate on other assets increases. The Transactions and Precautionary Demands for Money (M 1)

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The transactions demand for money arises from the use of money, which is a medium of exchange, in making regular payments for goods and services.

If receipts and expenditures were always perfectly synchronized, there would be no need for such balances. Since, however, the typical person is paid once a month or once a week and makes disbursement throughout the period, he must maintain some idle balances for transactions. The amount of money held by an individual for the transaction purpose

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would vary positively with the volume of his transactions. Income was assumed to be a good measure of

this volume of transactions, and thus the transactions demand for money was assumed to depend positively on the level of income.

66 The use of the term "transactions motive" was confined to describing the necessity of holding cash to bridge the gap between receipts and planned regular payments. Keynes also believed that, beyond money held for planned transactions, additional money balances were held by individuals for those classes of payments that cannot be considered regular and planned, such as paying unexpected bills, making purchases at unexpectedly favourable prices, meeting sudden emergencies caused perhaps by accidents or ill health. To meet these unexpected situations people find it prudent to hold some cash in case they were not able to realise other assets quickly enough to be of use to them. This he called the "precautionary motive" for holding money, and suggested that the demand for money arising from it also depends, by and large, on the level of income. Since both the transactions demand and the precautionary demand for money can be assumed to vary positively with the level of income, we can integrate these two demands for money into one, and call it M_1 , which can be given by $M_1 = \alpha Y$ (4.6) where α is a positive constant. The relation (4.6) can be represented by the line OD in Fig. 4.6. Fig. 4.6 Keynes, however, saw it clearly that the convenience to be had from holding cash for transactions and precautionary purposes could be traded off against the amount of interest that can be earned from holding other assets. But

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he did not stress the role of the rate of interest in this part of his analysis,

for he considered that the chief role of the rate of interest lies in determining the so-called "speculative demand" for money.

67 Speculative

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Demand for Money (M 2) The transactions and precautionary demands for money emphasize the medium-of-exchange function of money,

for each refers to the need to have money on hand to make payments. But, according to Keynes, people also demand money for speculative purposes. Speculative demand for money arises out of people's demand to hold financial assets and make capital gains. This can be done only by buying bonds and other financial assets

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when their prices are low and selling them when their prices are

high. Such a demand for money involves uncertainties, and may even lead to capital losses. Capital gains and losses are intimately connected with the market rate of interest. This can be explained as follows. Let us assume that bonds are the only form of financial assets available in the market. The analysis for bonds would be applicable to the case of all other financial assets. A bond is an asset that carries with it the promise to pay its owner a certain income per annum, fixed in money terms. The decision to buy a bond is a decision to buy a claim to such a future stream of income. How much a person will be willing to pay for a bond, and hence the market value of the bond, depends critically upon the rate of interest, for the person will wish to earn at least the going rate of interest on the amount of money spent in buying the bond. Thus, if the rate of interest is 5 percent, the person would be willing to pay up to, but not exceeding Rs. 100 for a bond that offered an income of Rs. 5 per annum in perpetuity. If the rate of interest were 10 percent, however, no one would be willing to pay more than Rs. 50 for the same bond. In general, it can be said that a rise in the interest rate means that the market prices of bonds fall, and a fall in the interest rate means a rise in the prices of bonds. Thus, changes in the rate of interest involve capital gains and losses for bond holders. Moreover, when the market rate of interest is expected to fall, holding of bonds becomes particularly attractive because the prospect of capital gains brightens. Keynes thought that, at any time, there would be a value of the rate of interest that could be regarded as "normal", so that if the rate of interest were above this "normal" level there would be a tendency for people to expect it to fall, and if it were below this level, to expect it to rise. Thus, at a high rate of interest, when they expect the interest rate to fall, the speculative demand for money would be small, for people would want to hold bonds in the expectation of making capital gains. As the rate of interest falls and bond prices rise, some bond holders sell bonds, make capital gains and decide to hold money, so that

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the speculative demand for money rises. Thus, the relationship between the rate of interest and the speculative demand for money (

M_2) is an inverse one and is shown by the so-called liquidity preference schedule $L(r)$ in Fig. 4.7, where $M_2 = \alpha(r) \dots$ (4.7) $\alpha > 0$ Fig. 4.7 Keynes also maintained that at some low level of the rate of interest everyone in the economy will expect the rate to rise rapidly enough to make them unwilling to hold any bond and to prefer money instead. At this point the demand for money in the aggregate becomes perfectly elastic with respect to the rate of interest. The latter variable can fall no further and any increase in the quantity of money will simply be absorbed without any fall in interest rates. This is the doctrine of "liquidity trap". In Fig. 4.7, the liquidity trap occurs at the rate of interest r_0 , at which $L(r)$ curve becomes perfectly horizontal. 4.5.1. The Keynesian Theory of the Money Market Equilibrium As we have already pointed out, Keynes thought that the rate of interest is a "monetary phenomenon" and is determined in the money market-

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by the demand for and the supply of money. Given the supply of money (

M), determined by the monetary authorities, total demand for money (M_d) determines the rate of interest. Thus, the Keynesian model for the determination of the rate of interest can be given by the following set of equations: $M_1 = \alpha Y$ $M_2 = \alpha(r)$ $M_3 = M_d = M_1 + M_2 = M_3 = M$

69 Again, we have three equations in four unknowns, and so the model (M 5) is under-determined. However, it yields combinations of r and Y which ensure equilibrium in the money market. These combinations of r and Y , which ensure money market equilibrium, define a curve known as the LM curve. To derive the LM curve diagrammatically we reproduce Fig. 4.6 in Fig. 4.8 and Fig. 4.7 in Fig. 4.9 respectively. Fig. 4.8 Fig. 4.9 Fig. 4.10 Now if $Y = 0$, M_1 in model (M 5) and also in Fig. 4.8 is zero, and all money is held as speculative balances. Hence, if the supply of money is M in Fig. 4.9, the equilibrium rate of interest is (r_0), which is in the liquidity trap. We plot these values of Y and r in Fig. 4.10. We get the point L on the vertical axis. If income rises to Y_1 (say), M_1 rises to Om_1 in Fig. 4.8. We deduct this value of M_1 from M in Fig. 4.9 to get the supply of money available for speculative purposes. This value is M_{S1} , which is held for speculative balances only if the rate of interest is r_0 . So, even now the economy is in the liquidity trap. This combination of r_0 and Y_1 is indicated by the point A in Fig. 4.10. In this way it can be presumed that the rate of interest would continue to remain in the liquidity trap as income increases up to a certain level. So the line LA in Fig. 4.10 would continue to grow in length. But eventually, as income and, hence M_1 , continue to rise, a time will come when M_2 would fall to such a low level that it would be held at a rate of interest higher than r_0 . Thenceforward, as income would rise, the rate of interest would rise too. In this way we get the LM curve in Fig. 4.10, showing the relationship between the rate of interest on the one hand and equilibrium income on the other. It is to be noted that, as the supply of money increases, M point on the M_2 axis in Fig. 4.9 shifts to M point. As a result, the LM curve in Fig. 4.10 shifts from LM_0 to LM_1 curve. In this way, we can visualize different LM curves corresponding to different amounts of the supply of money, all starting with the same value of the rate of interest in the liquidity trap (r_0) as in Fig. 4.10. 4.5.2. Properties of the LM Curve From the above discussion it is clear that

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the LM curve shows combinations of the rate of interest and income such that the money market is in equilibrium.

To study the properties of the LM curve we, for the time being, ignore the liquidity trap and assume that the liquidity preference function is a straight line. As a result, the model (M 5) changes to the model (M' 5) given by $M_1 = \alpha Y + \beta - \gamma r$ or, $r = \frac{1}{\gamma} (\alpha Y + \beta - M_1)$ (4.8) where (4.8) is

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the equation of the LM curve. From the equation of the LM curve (4.8) we can

note the following properties of the LM curve. | The LM curve is positively sloped. Given the supply of money (M), an increase in income increases the rate of interest, and vice versa. |

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The larger the responsiveness of the transactions and precautionary demand for money to income, as measured by α , and the lower the responsiveness of speculative demand for money to the rate of interest, γ , the steeper the LM curve

will be | The position of the LM curve depends upon the supply of money (M) and the value of β . If M increases the LM curve shifts to the right. (The Keynesian LM curve of Fig. 4.10 also shows this). For some particular values of α , β and γ , equation (4.8) can be represented by the line LM of Fig. 4.11. Any combination of r and Y lying on the line LM curve would indicate a situation of equilibrium in the money market.

71 the money market equilibrium is established with the rate of interest r_0 and the level of income Y_0 . If income rises to Y_1 , M_1 rises and, at the rate of interest r_0 demand for money exceeds the supply of money. Thus, at E_3 we have a situation of excess demand in the money market (EDM). We assume that in a situation of excess demand in the money market the rate of interest will rise and tend to choke off the extra demand. If the rate of interest rises to r_1 and the economy moves to the position E_1 on the LM curve, equilibrium in the money market is reestablished. Starting with the money market equilibrium at E_1 , if income now drops to Y_0 , transactions and precautionary demand for money, M_1 , falls and if the rate of interest remains at r_1 , we move to the position E_2 , where, the supply of money remaining the same, an excess supply of money develops which, we will assume, will tend to depress the rate of interest. The arrows in Fig. 4.12 show the directions in which the rate of interest moves in situations of dis-equilibrium in the money market. Fig. 4.11 To discuss how the economy behaves if the money market is not in equilibrium, let us start with the position E , on the LM curve (Fig. 4.12), when Fig. 4.12

72 4.5.3. Equilibrium in the goods and Money Markets With our above discussion of the IS and LM curves we are now in a position to combine both the markets together. Since both the goods market equilibrium curve (IS) and the money market equilibrium curve (LM) show combinations of the rate of interest and national income (Y), the two curves can be superimposed one upon the other to study the combination of r and Y which would establish equilibrium in both the markets. In Fig. 4.13 the IS and the LM curves intersect one another at the point E to establish that. If the rate of interest is r_0 and the level of income Y_0 , then there would be equilibrium both in the goods market and the money market. Fig. 4.13 Moreover, it can be shown that this equilibrium is a stable equilibrium in the sense that if the economy is not at E , then forces would be generated to bring the economy to E . This can be shown quite distinctly with the assumptions that we have made regarding the positions that are not on the IS and LM curves. The assumptions can now be restated as follows: 1. Output increases whenever there is an excess demand in the goods market and declines whenever there is an excess supply of goods. 2. The interest rate rises whenever there is an excess demand for money and falls whenever there is an excess supply of money. With these assumptions we can study how the economy adjusts to situations of disequilibrium. If the economy is placed in Region I, above both the IS and the LM curves, then it implies a situation of excess supply of goods (ESG) and of excess supply

73 of money (ESM). In such a situation output (Y) will fall because of excess supply of goods and the rate of interest (r) will also fall because of excess supply of money. The forces operating to reduce Y and r in Region I are indicated by the arrows in that region. The situations of excess demand and excess supply in the two markets and the corresponding arrows showing the direction of the forces operating there are indicated in different regions. The vertical arrows in different regions indicate that the rate of interest will either rise or fall and the horizontal arrows indicate that the level of output will either rise or fall. The assumptions made above ensure that the equilibrium in the goods and the money markets, as indicated by the point E in Fig. 4.14, is a stable one. And if the economy is, for some reason or another, is not at E , then the disequilibrium will set in forces which will bring the economy back to E . Fig. 4.14 shows how the economy will behave if it is at E_1 . 4.6 Effects of Monetary and Fiscal Policies The above discussion about the goods market and the money market equilibrium and disequilibrium situations will enable us to study the effects of government's monetary and fiscal policies. Government's monetary and fiscal policies bring out disturbances in the economy which can be studied in terms of disequilibrium situations. The government's monetary policies have their impact on the money supply in the economy and the market rate of interest. These policies include the central bank operations to control the money market, particularly its open market operations, variable reserve ratio operations, bank rate policy, and so on. The government's fiscal policies include public expenditure, Fig. 4.14

74 taxation, borrowing and lending policies. It is to be noted that public expenditure and taxation policies directly affect demand, while monetary policy affects aggregate demand only by influencing the rate of interest. Hence, fiscal policy is more of an activist-type of intervention into an otherwise privately governed economy than monetary policy, and tries to influence employment and output directly. The difference will be apparent when we discuss monetary and fiscal policies separately. 4.6.1. Monetary Policy The chief instrument of monetary policy is

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open market operations. In an open market operation, the central bank

can increase the stock of money by buying bonds in exchange for money, or can reduce the stock of money by selling bonds in exchange for money paid by the purchasers of the bonds. When the central bank buys bonds, it pays for them with money that it can create and its purchases reduce the supply of bonds available in the market, which tends to increase their prices. As a result their yield and, consequently, the market rate of interest falls. Only at this lower interest rate will

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the public be prepared to hold a larger fraction of its given wealth in the form of money and a lower fraction in the form of bonds. As the rate of

interest falls, it encourages investment, employment and output. Thus, in terms of the transmission mechanism, the effects of an open market purchase of bonds can be summarized as : $M \uparrow \rightarrow r \downarrow \rightarrow I \uparrow \rightarrow Y \uparrow$. In Fig. 4.15, an

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increase in the supply of money shifts the LM curve to the

$L'M'$ position which, with an unchanged IS curve, generates a new equilibrium at E_1 . As a result,

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the rate of interest falls from r_0 to r_1 and income increases from Y_0 to Y_1 .

Fig. 4.15

75 When the government follows a contractionary monetary policy and sells government bonds in the open market, it reduces the money stock in the hands of the public and increases the supply of bonds in the market which tends to reduce their price. As the prices of bonds fall, their yields rise tending to increase the market rate of interest. As the rate of interest rises 'investment is discouraged which, through the multiplier, depresses income by a multiple amount. The transmission mechanism can be given by $M \downarrow \rightarrow r \uparrow \rightarrow I \downarrow \rightarrow Y \downarrow$. The changes in the rate of interest and income can also be studied in the IS-LM framework of Fig. 4.15. If $L'M'$ is the initial LM curve, then the initial equilibrium position is E_1 , with the rate of interest r_1 and income Y_1 . If the supply of money falls, the LM curve shifts from $L'M'$ to LM in Fig. 4.15. Equilibrium is established at the point E_0 , where the rate of interest rises to r_0 and income falls to Y_0 . Effectiveness of Monetary Policy From Fig. 4.15 it is obvious that the changes in the rate of interest and income following from the government's monetary policies depend on the steepness of the LM and IS curves : the steeper the LM curve, the larger are the changes in the rate of interest and income. With reference to the equation of the LM schedule (4.8) we see that it will be steeper if the demand for money is not much sensitive to changes in the rate of interest. In that case, if the money supply rises, little of it is absorbed in speculative demand and most of it is demanded in transactions and precautionary purposes, which is possible only if income rises considerably. Monetary policy would be most effective in the classical case where

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the demand for money is totally insensitive to changes in the rate of interest and

the LM curve is vertical. The polar opposite is the keynesian liquidity trap case where the

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demand for money is infinitely elastic with respect to the rate of interest. A given change in the supply of money is absorbed in the money market with no change in the rate of interest. Hence, there

is no changes in output.

76 Fig. 4.16 Fig. 4.16A Both the classical and the keynesian liquidity trap cases can be illustrated with reference to Fig. 4.16. An

increase in the supply of money shifts the LM curve to the

L'M' position. If the economy is in the liquidity trap with the IS curve given by $I = I_0 - S_0$, the increase in the money supply has no influence on the economy: The rate of interest remains at r_0 and income at Y_0 . But if the IS curve is higher up and cuts the LM curve at E_1 , an increase in the money supply brings about a large increase in income. The equilibrium shifts from E_1 to E_2 . Steepness of IS curve indicates interest sensitivity of investment and so income, with completely inelastic investment function monetary policy will have no effect on income see Fig. 4.16A.

4.6.2. Fiscal Policy According to Keynes, high unemployment during the great Depression years was due to a deficiency in aggregate demand. To stimulate demand he suggested fiscal policy measures, particularly government spending on public works projects. Fiscal policy measures also include taxation policies to affect consumption and investment. To study the effects of government's fiscal policies, we need to consider taxes and government expenditure in the equation of the IS curve. If we introduce government expenditure (G) and taxes ($T = tY$) in the (M_3) model, it becomes

$$Y \equiv C + I + G \quad C = a + eYD \quad (M_2) \quad I = I_0 - brG = G \quad \text{where } YD \text{ stands for disposable income given by } YD = Y - T = Y - tY = (1 - t)Y$$

The consumption function now becomes $C = a + e(l - t)T$. Thus, from the model (M_6) we have $Y = a + e(l - t)Y + I - pr + 1M$ or, $Y[l - e(1 - t)] = a + I + G - br$ or, $Y = \frac{a + I + G - br}{[1 - e(1 - t)]}$ or, $Y = \frac{a + I + G - br}{m}$ (4.9) where $A = \frac{a + I + G - br}{m}$ and $m = \frac{1}{[1 - e(1 - t)]}$. (4.9) can be expressed as $r = A - \frac{Y}{m}$ (4.9a) Equation (4.9a) is the equation of the IS curve, which shows that the level of government expenditure, G , is a component of autonomous expenditure, A and that the income tax rate, t , is part of the multiplier (m). Thus, both government expenditure and the income tax rate affect the IS schedule.

78 Crowding-Out Effect We can study the effects of changes in government expenditure and the rate of income taxation with reference to the model (M_6) in an IS - LM framework. If the government increases its expenditure by $G\Delta$, the IS curve shifts from $I_0 S_0$ to $I_1 S_1$ in Fig. 4.17. With a horizontal shift equal to $mG\Delta$. If the rate of interest remains at its initial equilibrium value, r_0 , income would rise to Y_1 , from Y_0 , at E_1 . But the increase in income raises the demand for money which, with unchanged stock of money,

raises the rate of interest. The rise in the rate of interest

discourages private investment spending. This is called the crowding-out effect, which occurs when expansionary fiscal policy causes interest rates to rise, thereby reducing private spending, particularly investment. We can also notice that at E_1 , the goods market is in equilibrium, but not the money market. As the rate of interest rises from r_0 , aggregate spending falls and, as we have seen in Fig. 4.14, the economy eventually moves to the goods-market-money-market equilibrium at E_2 , where the rate of interest is r_2 , and income Y_2 , Fig. 4.17 A reduction in the income tax rate, t , will have similar effects. It will increase the value of the multiplier which, all other relevant factors remaining the same, will shift the IS curve to the right. The rise in the rate of interest will have crowding-out effects. As a result income will rise, but the rise will depend on the value of the crowding-out-effect.

79 Effectiveness of Fiscal Policy It is apparent from the above discussion that effectiveness of fiscal policy depends on the strength of the crowding-out effect. Fig. 4.18 shows that if the economy is in the liquidity trap, an increase in government expenditure does not increase the rate of interest. Hence, there is no crowding-out as the IS curve shifts from $I_0 S_0$ to $I_1 S_1$, income increases by the full amount of the multiplier from Y_0 to Y_0 . If, on the other hand, the economy operates at full employment, the LM curve is vertical and a rise in government expenditure is completely crowded out through a steep rise in the rate of interest. This rise in the rate of interest discourages private spending by the full amount of government expenditure. Consequently, there is no increment in income, which is already at the level of full employment. Fig. 4.18 Thus, fiscal policy is likely to be very effective in a less developed country like India, where full employment is a far cry and government investment spending discourages, rather than encourages, private spending.

4.7 The Policy Mix Liquidity trap condition and full-employment level of income are special situations which are quite rare. Usually the economy may be in equilibrium at E_0 where income Y_0 is less than the full-employment level of income Y_F (Fig. 4.19). In order to achieve full employment, the government may adopt a monetary expansion, shifting the LM

80 curve from $L_0 M_0$ to $L_1 M_1$. This will lead to the achievement of full-employment level of output at E , with a lowering of the rate of interest. The government may also adapt a fiscal expansion shifting the IS curve from $I_0 S_0$ to $I_1 S_1$ and reaching full employment with a rise in the rate of interest at E_1 . Such a rise in government spending may involve a large amount of budget deficit. To avoid a big budget deficit the government may decide to have a policy mix and monetize the budget deficit through a policy of monetary accommodation. Monetary policy is said to be accommodating when, in course of a fiscal expansion, the money supply is increased in order to prevent interest rates from rising. Through a policy mix the government may need a smaller budget deficit and same monetary expansion to reach the full-employment level of output. As Fig. 4.19 shows, in a policy mix both the IS and the LM curves shift to a position like $I_2 S_2$ and $L_2 M_2$ to reach full employment at E_3 Fig. 4.19 4.8 Exercises 4.8a. Objective Type Questions : 1. If

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the government increases its spending (a) the IS curve shifts to the left; (b) the IS curve shifts to the right; (c) the LM curve

shifts to the left; (d) the rate of interest rises.

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If the central bank increases the money supply (a) the rate of interest falls; (

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b) the IS curve shifts to the left; (c) the LM curve shifts to the right; (d) the LM curve

shifts to the left. 3. If there is excess demand in the goods market (a) the rate of interest will rise; (b) crowding out will take place; (c) output will rise; (d) none of the above will take place. 4. If there is excess supply in the money market (a) the output will fall; (b) the output will rise; (c) the rate of interest will fall; (d) None of the above will take place. 4.8b. Short-answer Type Questions : 5. Suppose that $C = 60 + 0.8YD$ $I = 150 - I_0$ or $G = 250$ $T = 200$ $M = 100$ $M^d = 40 + 0.1Y - I_0$ or a. Write the equations for the IS and LM schedules. b. Find the equilibrium values for income (O_1) and the rate of interest (O_r). 6. Within the IS-LM model, show how income and the interest rate are affected by each of the following changes. (a) an increase in government spending; (b) an autonomous decline in investment spending; (c) an increase in taxes; and (d) an increase in the money stock. 7. What would be the effect within the IS-LM model of an autonomous increase in saving that was matched by a drop in consumption, that is, a fall in a in the consumption function? $C = \alpha + \beta(Y - T)$ Which curve would shift? How would income and the interest rate be affected? 8. Discuss the circumstances under which fiscal expansion leads to full crowding out.

82 4.8c Long-answer Type Questions : 9. The economy is at full employment. Now the government wants to change the composition of demand toward investment and away from consumption without, however, allowing aggregate demand to go beyond full employment. What is the required policy-mix? Use the IS-LM diagram to show your policy proposal. 10. Discuss the role of parameters h , λ , a , and b in the transmission mechanism linking an increase in government spending to the resulting change in equilibrium income. In developing the analysis use the following table 11. Suppose the government cuts income taxes. Show in the IS-LM model the impact of the tax cut under two assumptions : One, the government keeps interest rates constant through an accommodating monetary policy; two, the money stock remains unchanged. Explain the difference in results. 12. Consider an economy in which the government consider two alternative programmes for contraction. One is the removal of an investment subsidy; the other is rise in income tax rates. Use the IS-LM schedule and the investment schedule to discuss the impact of these alternative policies on income, interest rates and investment. 4.9 References 1. Rudigar Darnbusch and Stanley Fischer, Macroeconomics, Fifth Edition, 1990. 2. Richard T. Froyen, Macroeconomics : Theories and Policies, First Indian Reprint, 2001. 3. N. Gregory Mankim, Macroeconomics, Fourth Edition, 2000. 4.

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David E. W. Laidler, The Demand for Money : Theories and Evidence, 1977. (3)

The increase in interest rates reduces investment spending and hence dampens output expansion. (1) Increase in G raises aggregate demand and output. (2) The increase in income raises money demand and hence interest rates.

83 Unit-5 q Aggregate Demand, Monetarism and the Sophisticated Demand- for- Money Structure 5.0 Objectives 5.1 Introduction 5.2 From the IS-LM Model to the Aggregate Demand. Curve 5.3 Monetarism and the Sophisticated

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Demand for Money 5.3.1. Friedman's Restatement of the Quantity Theory of Money : the

Weak Version 5.3.2. Fiscal and Monetary Policies Monetarists version Keynesians 5.4 Exercises 5.5 References 5.0 Objectives This unit will help you to understand l How aggregate demand in the economy is determined l How monetary and fiscal policies affect aggregate demand l The main tenets of the counterrevolution launched by Milton Friedman l The restatement of the quantity theory of money 5.1 Introduction In the last. two units we discussed the determination of income assuming that the price level and money wages were fixed. These assumptions were made in order to high light the. role of aggregate demand, which is the foundation of the Keynesian analysis. It is to be noted that this emphasis on demand, as being the principal determinant of output, stands in sharp contrast to the supplydetermined nature of the classical system. But, as we shall see, when prices and wages are not held constant, both demand and supply factors become important in the determination of output. In this sense the analysis to be made in the following units would incorporate elements

84 of both the classical and the Keynesian systems. In the following section of the present unit, however, WC will explore the implications of relaxing the assumption of fixed prices, keeping wages fixed for the time being. This would enable us to deduce the aggregate demand curve, and to remain within the keynesian system. 5.2 From the IS-LM Model to the Aggregate De mand Curve To study the effects of changes in the price level in the Keynesian framework of analysis, we continue with our Model (M,) which assumes a closed economy where there is no government expenditure. To facilitate understanding, we reproduce the model here as follows : $Y = C + I$ $C = e(Y)$ (M 3) $I = I(r)$ which yields the IS curve equation. $Y = e(Y) + I(r)$ IS : or, $Y - e(Y) = S(Y) = I(r)$ (5. 1) Given the consumption and the investment functions. of (M 3), a rate of interest determines a particular value of investment expenditure which, in its turn, determines the equilibrium value of income. Or; in other words, economic equilibrium obtains when savings planned according to income is equal to investment planned according to the rate of interest, as shown in (5.1). If we introduce government expenditure into the picture, there would be no essential change in the model; the only change would be in the consumption function, which would now be a function of disposable income ($Y - T$), and the rs curve would be given- by $IS : S(YD) + T = I(r) + G$ (5.2) where YD stands for disposable income, T for taxes and G for government expenditure. The student is advised to derive the IS curve (5.2) by making necessary changes in the model (M 3). The left-hand side of the IS curve (5.2) stands for supply of resources available by way of private saving and government saving, while the right- hand side shows the demand for resources other than consumption demand. It is to be noted that the IS curves of (5.1) and (5.2) would be appropriate if we

85 assume that the price level is given. If this assumption is dropped, we need to reformulate Model (M 3) in terms of real values, which change with changing prices. We would use lowercase letters to indicate real values, so that IS curves of (5.1) and (5.2) would now become $s(y) = i(r)$ (5.1a) and $s(yd) + x = i(r) + g$ (5.2a) respectively. We would, however, assume that the level of government spending (g) and that of taxes (x) are constant in real terms, so that the IS equation (5.1a) would be appropriate for our subsequent discussion. Moreover, we would assume. that changes in the price level do not affect the rate of interest and real income. As a result, real saving and real investment do not change with changes in prices. The assumption of variability in the price level also requires a reformulation of the LM curve of the model (M 5), which was $M 1 = \alpha Y$ $M 2 = \alpha(r)$ $M d = M 1 + M 2 = M 8 = M$ The money demand functions for M, and M, of Model (M,) can be combined into one single function as $M d = M 1 + M 2 = \alpha (Y, r)$ so that the LM curve can be given by $LM : \alpha (Y, r) = M$ (5.3) But, when we want to discuss the impact of price level- changes, we need to reformulate (5.3) to take account of what happens to the real demand for money and real supply of money. So, in real terms (5.3) becomes $LM : \alpha (y, r) = M P = m$ (5.3a) where P is the price level and m is the real stock of money. The LM curve equation

86 (5.3a) equates the real demand for money with the real stock of money $M m = P ? ? ? ? ?$ It is to be noted that, since the price level (P) is part of the LM curve (5.3a), every

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change in the price level changes, unlike the IS curve (5.1a), the position of the LM curve.

This is illustrated in Fig. 5.1. Fig. 5.1 shows that as the price level increases from P_0 to P_1 , the real stock of money supply falls, and the LM curve shifts from $LM(P_0)$ to $LM(P_1)$. If the price level rises still further to P_2 , the LM curve shifts further up to $LM(P_2)$. But the IS curve remains unaffected by these price changes, since the IS relationship is independent of the price level changes. As a result, the equilibrium rate of interest rises reducing the level of real investment demand and, hence, aggregate demand, which, in the Keynesian model, is equal to aggregate real income (y).

Fig. 5.2

87 Thus, in Fig. 5.2, if we draw the price level on the vertical axis and real income on the horizontal axis, we get a downward sloping relationship between the price level P and real income y . This is called the aggregate demand curve (AD), which shows equilibrium levels of aggregate demand or real income at different values of the price level. Properties of the AD curve A. The AD curve is downward-sloping : It is so because, the higher the price level, the smaller the real balances, and, hence, the higher is the value of the market rate of interest (r). At high interest rates, investment is low and, hence, income is low. This can be shown more clearly if we derive the AD curve from the IS equation (4.9) and the LM equation (4.8). To facilitate understanding they are reproduced here IS: $Y = m(A - br)$ LM: $r = \frac{1}{\alpha} (y - M)$ Since we are here interested in the real values we changes then as follows: IS: $y = m(A - br)$ - LM: $r = \frac{1}{\alpha} (y - M)$ Substituting for r from the LM equation in the IS equation, we get $y = m(A - b \frac{1}{\alpha} (y - M))$ or, $y = \frac{m\alpha}{1 + m\alpha b} (A + M)$ This is the equation of the AD curve. It shows that the AD curve is downward-sloping. The slope of the AD curve is $\frac{dy}{dP} = -\frac{m\alpha}{1 + m\alpha b}$. The AD curve is flatter (larger multiplier) when m is larger and α is smaller.

88 $m(yA - b)M$ or, $y = \frac{m\alpha}{1 + m\alpha b} (A + M)$ where $m\alpha$ is the multiplier and $\frac{1}{1 + m\alpha b}$ is the interest responsiveness of demand for money. The AD curve is flatter (larger multiplier) when m is larger and α is smaller. C. Effects of Fiscal Policy on the AD curve Since the AD curve has been derived from the IS and LM curves, the factors which

89 determine the positions of the IS and LM schedules also determine the position of the AD curve. In Fig. 5.3(a), the initial LM and IS schedules correspond to a given nominal quantity of money and the price level P_0 . Equilibrium is obtained at point E_0 , and there is a corresponding point on the AD curve in Fig. 5.3(b). An increase in

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government spending shifts the IS curve from IS_0 to IS_1 . At the initial

price level there is a new equilibrium at E_1 , with higher interest rates and a higher level of income and spending. Fig. 5.3 At the same prices, E_0 of Fig. 5.3(a) corresponds to point E_1 in Fig. 5.3(b), defining a new AD curve AD_1 . Indeed it can be said that at each level of prices, and hence real balances, the AD schedule shifts to the right by an amount indicated by the fiscal policy multiplier. D. Effects of Monetary Policy on the AD curve When the government resorts to a monetary policy and, say, increases the stock of money supply, real money supply increases at each level of prices. The resulting decline in interest rates stimulates aggregate demand and thus raises the equilibrium level of income and spending. The AD curve shifts to the right, which is shown in Fig. 5.4. When the stock of money increases LM curve shifts- parallel to itself from LM_0 to LM_1

90 and the equilibrium point shifts from E_0 to E_1 . The rise in income from Y_0 to Y_1 in Fig. 5.4(a) corresponds to the rise in real income from y_0 to y_1 in Fig. 5.4(b). The AD curve shifts from AD_0 to AD_1 . Since M/P remains unchanged when P rises proportionately to a rise in M , the AD curve in Fig. 5.4(b) shifts to the right proportionately as the money supply rises. Hence, the AD_1 curve is proportionately higher up than the AD_0 curve. 5.3 Monetarism and the Sophisticated Demand for Money We have seen in the Unit 4 that the effectiveness of monetary and fiscal policies depends upon the relative slopes of the IS and LM curves. Keynesians believed that the demand for money is quite sensitive

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to changes in the rate of interest and, hence, the LM curve is quite flat. On the other hand,

they thought that the demand for investment is not much responsive to changes in the interest rate and, so, the IS curve is relatively steep. Under such circumstances, as we have seen in Fig. 4.16, monetary policies are not much effective in bringing about changes in income. On the other hand, as Fig. 4.18 shows, fiscal policies can quite adequately serve the purpose of achieving desired changes in income. Indeed, the Keynesians placed a tremendous amount of importance to the efficacy of fiscal policies in correcting economic disturbances in the economy, particularly depression and unemployment. In fact, Keynesian fiscal policies were effectively utilized by different countries to bail their economies out of depression even after the 1930's. But Milton Friedman in the late 1950's pointed out that the Keynesian views about the efficacy of fiscal and monetary policies were based on a wrong notion about the role of money in the economy on the one hand and that of the rate of interest on the other. He and his colleagues launched a movement, which has been called "monetarism" and which Friedman himself regarded as a counterrevolution in monetary theory. Basic to the monetarist position is the belief that money is perhaps the most important determinant of economic activity. Friedman has said, "I regard the description of our position as "money is all that matters for changes in nominal income and for short-run changes in real income" as an exaggeration but one that gives the right flavor of our conclusions". He regards that the demand for money is a more stable function than the Keynesian consumption function. He points out that "there is no other empirical relation in economics that has been observed to recur so uniformly under so wide a variety of circumstances as the relation between substantial changes over short periods in the stock of money and in prices; the one is invariably linked with the other and is in the same direction; this uniformity is, I suspect, of the same order as many of the uniformities that form the basis of the physical sciences". 5.3.1

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Friedman's Restatement of the Quantity Theory of Money: the

Weak Version With this conviction in the role of money Friedman tried to resurrect the old quantity theory of money, dismissed in section 4.4 above, from "the atrophied and rigid caricature that is so frequently described" by the Keynesians. He pointed out that the quantity

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theory of money is "not a theory of output, or of money, or of the price level".

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is "in the first instance a theory of the demand for money"

and money is one kind of asset, as emphasized by Keynes. But, unlike Keynes, Friedman takes into consideration the yields on not only bonds, but also those on equities and durable goods. Moreover, he does not segment out the demand for money into components representing transactions balances, speculative demand and a precautionary demand. Friedman's money demand function can be written as $M^d = L(P, y, r_B, r_E, r_D)$ (5.6) where P is price level, y real income, r_B nominal interest rate on bonds, r_E nominal return on equities, and r_D is the nominal return on durable goods. In Friedman's view, the demand for money depends on nominal income (Py), which is very similar to Keynes's transactions demand for money. Like Keynes, Friedman also assumed that the demand for money depends on the rates of return offered on alternative assets. But the assets include not only bonds, as emphasized by Keynes, but also equities and durable goods like land and houses. Though the durable goods do not yield on explicit interest, their return is the expected increase in the prices of these goods over the period for which they are held. Thus, the expected rate of inflation is also a determinant of the demand for money. An increase in the rate of return on any of these alternative assets causes the demand for money to fall. The Strong Version Friedman's money demand function (5.6) can be used to restate the Cambridge version of the quantity theory of money, discussed in section 4.4 above, as

92 $M_d = k(r_B, r_E, r_D)P_y$ (5.7) where, unlike the Cambridge version, where k is a constant, k here indicates a functional relationship involving the rates of return on the assets that are alternatives to holding money. A rise in the rate of return on any one of these assets would cause k to fall, indicating a fall in the demand for money and, consequently, an increased desirability of the alternative asset. Friedman points out that the variables r_B , r_E and r_D , are not very important in determining the demand for money, so that k can be regarded as a constant in most cases. As a result, Friedman's demand for money function, given in (5.7), can be written in a stronger form as $M_d = k P_y$ (5.8) And in equilibrium when the supply of money, M_s , is equal to the demand for money, M_d , we have $P_y = M_s / k$ (5.8a) This stronger form asserts that money income is proportional to the stock of money in the economy—a position which is identical with the Cambridge version of the quantity theory of money. Relying on this stronger version of his own restatement of the quantity theory, Friedman maintains that appreciable changes in the rate of growth of the stock of money are a necessary and sufficient condition for appreciable changes in the rate of growth of money income. 5.3.2. Fiscal and Monetary Policies Keynesians We have pointed out above that, according to Friedman, r_B , r_E and r_D , are not very important in determining the demand for money. Hence, the monetarists believe that the LM curve is quite steep. On the other hand they maintain that the rate of interest is for more influential than what Keynes thought in determining aggregate demand. They point out that a change in the interest rate implies a change not only in the return on bonds, but a change in the prices of corporate stock, the prospective return on real estate, and holding durable goods as well. These changes are likely to affect investment demand to a considerable extent, making the IS curve quite flat. As a result, the monetarists maintain

93 that fiscal policy is quite ineffective to bring about considerable changes in income. In Fig. 5.5 an increase in government spending shifts the relatively flat IS schedule from IS_0 to IS_1 . The LM_0 curve being quite steep, the change in the fiscal policy would increase income by a very small amount from Y_0 to Y_1 , as the considerably higher rise in the rate of interest would crowd out investment demand and, hence, income. Thus Friedman pointed out "I come to the main point—in my opinion, the state of the budget by itself has no significant effect on the course of nominal income, on deflation, and on cyclical fluctuations". In reality, a tax cut or an increase in government spending is financed by printing new money and we have both a monetary policy action (M increases) and a fiscal policy action (g increases or T falls). Thus, not only the IS curve shifts to the right, but the LM curve also shifts to the right. And the resulting change in income comes primarily from the shift of the LM curve since, as we have seen above, a shift in the IS curve is not likely to change income much. Fig. 5.5 The monetarist's position can better be illustrated by means of aggregate demand and aggregate supply curves. The aggregate supply curve will be discussed in the next unit. But when changes in the supply of money is considered, the aggregate supply curve (y_s) can be regarded as fixed.

94 Fig. 5.6 Since, as we have seen above, changes in the supply of money plays a more important role than the fiscal policy to bring about shifts in the aggregate demand curves from $y_d(M_0)$ to $y_d(M_1)$ or to $y_d(M_2)$, when money supply rises from M_0 to M_1 and then to M_2 . Now, given the shifts in the aggregate demand curve, the changes in income depends upon the steepness of the aggregate supply curve (y_s) to be discussed in the next unit. 5.4 Exercises a. Objective Type Questions : 1. The aggregate demand curve shifts to the right if (a) the propensity to save increases; (b) the investment demand curve shifts to the right; (c) the price level increases; (d) none of the above. 2. The aggregate demand curve shifts to the left if (a) the government increases its purchases of goods and services; (b) the government increases the rate of taxation; (c) the government decreases its borrowing; (d) all of the above. 3. The aggregate demand curve shifts to the right if

95 (a) the central bank increases the money supply; (b) the government buys back some government bonds; (c) the central bank lowers the discount rate; (d) all of the above. 4. Fiscal policy will have little effect if (a) if the rate of interest rises; (b) if there is no accompanying increase in the supply of money; (c) if people do not correctly anticipate the government's intentions; (d) all of the above. b. Short-answer Type Questions 5. Show that the aggregate demand curve is flatter, the smaller is the interest

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responsiveness of the demand for money. 6. Show diagrammatically that the aggregate demand curve is steeper, the smaller the multiplier and the larger the interest responsiveness of the demand for money. 7.

Suppose that the government reduces the personal income tax rate from t to t' . (a) What is the effect on the AD schedule? (b) What is the effect on the equilibrium interest rate? (c) What happens to investment? 8. Suppose full-employment output increases from Y^* to $Y^{*'}$. What does the quantity theory predict will happen to the price level? c. Long-answer Type Questions : 9. Suppose there is a decline in the demand for money. At each output level and interest rate the public now wants to hold lower real balances. (a) In the Keynesian case, what happens to equilibrium output and to prices? (b) In the classical case, what is the effect on output and on prices? 10. Repeat question 9, using the quantity theory of money to explain the effect of the

96 money demand shift on prices. 11. Suppose the government undertakes a balanced budget increase in spending. Government spending rises from G to G' , and there is an accompanying increase in tax rates so that at the initial level of output the budget remains balanced. (a) Show the effect on the AD schedule. (b) Discuss the effects of the balanced budget policy on output and interest of the balanced budget policy on output and interest rates in the Keynesian case. (c) Discuss the effects in the classical case. 12. (a) Define the strict quantity theory. (b) Define monetarism. (c) What type of statistical evidence would you need to collect in order to support or refute the major argument of monetarism? 5.5 References 1. Rudigar Dornbusch and Stanley Fischer, Macroeconomics, Fifth Edition, 1990. 2. Richard T. Froyen, Macroeconomics : Theories and Policies, Sixth Edition, 1999.

97 Unit-6 q Aggregate Supply : Wages, Prices and Unemployment Structure 6.0 Objectives 6.1 Introduction 6.2 The Classical Theory of Aggregate Supply 6.3 The Keynesian Aggregate Supply Curve 6.4 The Phillips Curve and the Natural Rate of Unemployment 6.5 Post-Keynesian Theories of Aggregate Supply 6.6 Relation Between the Phillips Curve and the Aggregate Supply Curve 6.7 Exercises 6.8 References 6.0 Objectives This unit will help you to understand l the classical view regarding how aggregate supply in the economy is determined l the contrasting Keynesian view emphasizing unemployment in the economy l the Phillips curve : an empirical finding l modern theories of aggregate supply 6.1 Introduction In the last three units we have carefully developed Keynes's ideas regarding macroeconomic analysis. It is clear from the above discussion that the present ideas about aggregate demand are developments based on Keynes's theory. Indeed, the theory of aggregate demand is Keynes's central contribution to macroeconomic analysis. He believed that deficiencies in aggregate demand were the principal cause of persistently high unemployment during the years of great Depression. And he was in favour of demand management policies to tackle any economic disturbances. 98 Before Keynes's time determinants of supply were the principal concern of the economists, and demand, as such, was taken for granted. It was believed that supply creates its own demand and that economic fluctuations are temporary in character and tend to get corrected over time. Thus, ideas about supply were quite developed even before Keynes's time. Yet, even today the theory of aggregate supply is one of the least settled areas in macroeconomics. So, we start our discussion in this unit with a review of the classical ideas about aggregate supply. 6.2 The Classical Theory of Aggregate Supply Classical economies developed by attacking the earlier orthodoxy of mercantilism which held that money is wealth. It emphasized the importance of real factors in determining the "wealth of nations" and

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stressed the optimizing tendencies of the free market in the absence of state control. .

Classical economies envisaged the whole economy as a giant firm and whatever is produced by this firm finds sufficient demand in the market. This firm always operates at full employment, when employment

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is determined by the demand for and the supply of labour.

Demand for Labour The demand for labour arises out of production conditions given by the production conditions given by the production function $y = F(K, N)$ where y is real output, K the stock of capital (plant and equipment), and N the quantity of homogeneous

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labour input. For the short run the stock of capital is assumed to be fixed, as indicated by the bar over K . The state of technology and population are also assumed to be constant over the period considered.

Since each worker can be assumed to maximize his utility given the budget constraint, at the real wage $(\frac{W}{P})_0$ the worker chooses the point A, working LD hours and enjoying OD hours of leisure. As the wage rate rises to $(\frac{W}{P})_1$, the worker chooses the point B, working for LE hours and enjoying OE hours of leisure. Similarly, at the wage rate $(\frac{W}{P})_2$ we can measure the worker's choice of work and leisure from his equilibrium at point C. The number of hours for which a labourer works can be regarded as the labourer's supply of labour for a given real wage rate. In Fig. 6.3 we draw the supply curve of labour against different real wage rates. The supply curve s_{lb} in Fig. 6.3 is usually an upward-rising curve showing that the supply of labour increases as the real wage rate increases. But after the point l the curve bends backward, showing that as the wage rate increases beyond the rate $(\frac{W}{P})_M$, the supply of labour falls. This would be so if labour becomes an inferior thing beyond the wage rate $(\frac{W}{P})_M$. A rise in the wage rate gives rise to two kinds of effect, the substitution effect and the income effect. The substitution effect of a rise in the real wage rate always induces the worker to work more, since leisure becomes more expensive and it becomes worthwhile to substitute leisure for more income implying more work. But the income effect of a rise in the real wage rate makes leisure more desirable relative to further increments in income. Thus, with successive increments in the real wage rate, a point may be reached when the labourer may choose to supply less labour as the real wage increases and consume more leisure. At this point the supply curve of labour of the worker would become backward-bending.

102 Fig. 6.3 The individual supply of labour curve being determined in this way, the market supply curve is the summation of individual supply curves at different wage rates. This aggregate labour supply curve can be written as $S_{WN} = \dots$

(6.5) Labour Market Equilibrium and the Classical Aggregate Supply Curve The special feature of the classical and also of the neoclassical labour market is the assumption that there are no frictions in the labour market and it clears continuously and immediately in response to changes in the demand for and the supply of labour. So, from the above discussion we can describe the classical and neoclassical theory of the labour market by the demand for labour equation of (6.4) and the supply of labour equation of (6.5). The equilibrium in the labour market is established at the point where the

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demand for labour is equal to the supply of labour.

Thus, the classical and neoclassical labour market equilibrium can be described by the model (M_7) as follows: $d_{WN} = f(\frac{W}{P})$ and $s_{WN} = g(\frac{W}{P})$. The equilibrium is determined by the intersection of the labour demand curve and the labour supply curve.

103 The labour market equilibrium is shown in panel (a) of Fig. 6.4, where the intersection of the labour demand curve and the labour supply curve determines the real wage rate according to Model (M_7) . The special feature of the classical labour market is the absence of money illusion implying that both

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the demand for labour and the supply of labour are functions of real wage only. If the price level changes, the demand for labour

and the supply of labour curves as function of money wage shift proportionately to determine the same level of employment as shown in panel (b) of Fig. 6.4. Fig. 6.4 Another feature of the classical theory of the labour market is that equilibrium is always achieved at the full-employment level. This is so because at the equilibrium wage rate the amount of labour supplied is equal to the amount of labour demanded, and at that wage rate there is no excess supply of labour owing to flexibility of wages and prices. Now, since there is always full employment in the labour market and since changes in the price level do not bring about any change in the volume of employment, but change in proportionate wage rate keeping real wage rate same the amount of output determined by the production function in panel (c) of Fig: 6.4 is always a constant amount unless supply and demand curve shifts for change of real factors like technology or workers preference respectively. Change in prices of course are matched by proportionate change in money wage, as wage price are flexible in classical system for a clearing of a

104 market. Thus, the economy's aggregate supply remains invariant with changes in the price level and the aggregate supply curve, showing a relationship between the price level and output, is a vertical line, as SS of Fig. 6.5. Fig. 6.5 6.3 The Keynesian Aggregate Supply Curve The classical vertical aggregate supply curve is totally incompatible with the Keynesian system, for it means no role for aggregate demand. So long as prices are positive, the level of output in the classical system always remains the same whatever be the level of demand. But in the Keynesian system aggregate demand plays the central role in the determination of output and employment. Keynes believed that the labour market is far from being perfectly flexible and that money wage would not adjust sufficiently in the short run to keep the economy at full employment : The Keynesian theory offers a number of reasons why the money wage will not quickly adjust, especially in the downward direction, to maintain equilibrium in the labour market. In the first place, Keynes argued that much of wage bargaining in the labour market takes place because both labour and management want to arrive at a wage structure consisting of wage differentials between workers with different trades and skills. And workers in one firm or industry would see changes in money wages as changes in relative wages, because they would have no assurance that if they accepted a cut in money wages, workers in other sectors of the labour market would do the same. Thus, Keynes believed that declines in real wages caused by price level increases would meet much less resistance from labour than an equivalent fall in the real wage from a 105 money wage cut. Secondly, wage rigidity in the labour market is also due to the fact that wages are set by labour contracts between labour unions and management for the duration of two or three years. Money wages fixed by such contracts would not respond to events, such as a decline in labour demand, over the life of the contract. Provisions for changes in the money wage correspond to those in the price level-the so-called "indexation" of money wages-provide some flexibility in the wage rate which is otherwise fixed over the length of the contract. Moreover, money wages are rigid because, even in the absence of any wage contracts, employers usually want to maintain a reputation as a "good employer" and refrain from attempting wage cuts. Keynes believed that contractual arrangements are central to an understanding of low modern labour markets function. He pointed out that "Wages are not set to clear markets in the short run, but rather are strongly conditioned by longer-term considerations (which)..... insulate wages..... to a significant degree from the impact of shifts in demand". Fig. 6.6 Fig. 6.7 Even with all these qualifications, Keynes did not object to the classical theory of labour demand. He retained the classical labour demand function of Model (M 1). But since money wages are not flexible, he substituted an autonomously determined money wage as the labour supply function. Thus, he assumed labour supply to be infinitely elastic at the autonomously determined money wage rate (W_0). Thus, the Keynesian model for the labour market can be given by the following set of equations :

106 (i) $N_d = f(W, P)$ (ii) $N_s = W_0$ (iii) $N_d = N_s$ For a given price level p , supply and demand for labour becomes function of money wage rate. Supply function of labour becomes perfectly elastic at money wage rate W_0 The labour market working in terms of money wage in Keynesian model can be represented in Fig. 6.7A Fig. 6.7A For a change of prices through change in aggregate demand or other resource use $N_d = f(w, p)$ curve will shift as in Fig. 6.6. Model (M₁) shows involuntary unemployment. The model, as depicted in Fig. 6.6, shows that if the labour demand curve $N_d = f(w, p)$ cuts the W_0 line at E_1 , there are more labourers who are ready to work at the wage rate W_0 Since demand is lacking, 107 there is unemployment. Shifts in demand and equilibrium points to E_2 and E_3 do not imply any change in the money wage rate, even though employment rises. As employment rises output rises as shown by the production function of Fig. 6.7. And since wage costs are the principal determinant of prices, prices can be taken as fixed when wages are unchanged. Hence, the Keynesian aggregate supply curve can be taken as a horizontal straight line like PS of Fig. 6.8.

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The horizontal aggregate supply curve implies that firms will supply whatever amount of goods is demanded at the existing price level. Fig. 6.8 6.4 The

Phillips Curve and the Natural Rate of Unemployment The classical and the Keynesian economics were developed under widely different economic and social situations, and it was natural for them to respond to the prevailing conditions in different ways. While the classical economics grew mostly under optimistic situations when unemployment was not a big problem, the Keynesian economics flourished under the great depression of the 1930s. And so, as we have seen they had opposing views about the two most important aspects of the macroeconomic phenomena, namely, unemployment on the one hand and inflation on the other. Keynes died in 1946 and his successors took up the task of refining his theories and applying them to the policy questions facing western societies as they converted to peacetime economies in the aftermath of world war II. In this respect some empirical findings were especially of help, the chief among them being the Phillips curve. The Phillips Curve

108 In 1958 A. W. Phillips published a comprehensive study of wage behaviour in the United Kingdom for the years 1861 to 1957. On the basis of his findings he pointed out that there is an inverse relationship between the rate of unemployment

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and the rate of increase in money wages. The higher the rate of unemployment, the lower is the rate

of wage inflation, as shown in Fig. 6.9. Fig. 6.9. Now the rate of unemployment is measured with respect to the natural rate of unemployment, u^* , which is defined as

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the rate of unemployment arising from labour market frictions that exist when the labour market is in equilibrium.

This kind of frictional unemployment exists as a result of individual's shifting between jobs and looking for new jobs. With this definition of the natural rate of unemployment, the Phillips curve can be mathematically expressed as $\frac{W_t - W_{t-1}}{W_{t-1}} = -\epsilon - \dots$ (6.6) where g_w is the rate of wage inflation, W_t the wage this period and W_{t-1} , the wage last period and ϵ measures the responsiveness of wages to unemployment. Equation (6.6) states that wages fall if the rate of unemployment exceeds the natural rate, that is, when $u > u^*$, and rise when unemployment is below the natural rate ($u < u^*$). Now since wages are the main component of the total cost, it can be presumed that prices charged by different firms bear a constant proportion with wage costs. Thus, if each unit of labour produces "a" units of output, the labour cost of production per unit

109 is $\frac{W}{a}$ and if firms set prices as a markup, z , on labour costs, we have $P = z \frac{W}{a}$ (6.7) Substituting (6.7) in (6.6), the Phillips curve becomes $\frac{P_t - P_{t-1}}{P_{t-1}} = -\pi = -\epsilon - \dots$ (6.8) where π stands for price inflation. The Sacrifice Ratio The simple Phillips curve in the formulation (6.8) rapidly became a cornerstone of macroeconomic policy analysis. It suggested a trade-off between rates of inflation and rates of unemployment, and policy makers could choose different combinations of unemployment rates and rates of inflation. But lowering inflation requires a period of high unemployment and reduced output. Therefore, before deciding whether to reduce inflation or not, policy makers must know the costs involved in terms of output lost. This cost can then be compared with the benefits of lowering inflation. Much research has used the available data to examine the Phillips curve quantitatively. The results of these studies are often summarized in a number called

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the Sacrifice Ratio, the percentage of a year's real GDP that must be foregone to reduce inflation by 1

percentage point. Although estimates of the sacrifice ratio vary substantially, a typical estimate is about 5 : 1 for every percentage point that inflation is to fall, 5 per cent of one year's GDP must be sacrificed. Since there is a trade-off between inflation and unemployment, the sacrifice ratio can also be computed in terms of unemployment. Okun's law says that a drop in 1 percentage point in the unemployment rate would require a sacrifice of 2 percentage points of GDP. Specifically, if y^* stands for the natural rate of output and u^* for the natural rate of unemployment, Okun's Law according to this version, can be written as $y - y^* = -\omega(u - u^*)$ (6.9)

110 where $\omega = 2$. Theories based on the simple Phillips curve, however, soon became unfashionable, as Friedman and Phelps pointed out in the 1960s that long-run trade-off between inflation and unemployment was illusory. They proposed that in the long run the economy would move to the natural rate of unemployment whatever the rate of change of wages and the inflation rate. As we shall see, this long-run characteristic of the economy figures prominently in all modern macroeconomic analysis. 6.5 Post-Keynesian Theories of Aggregate Supply Economic Thinking in the post-keynesian era maintains that, since prices are flexible

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in the long run, the long-run aggregate supply curve

is vertical, as the classical economists suggested. But it also believes

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that in the short run, shifts in the aggregate demand curve			

do cause fluctuations in output. On the other hand, present-day economists cannot accept that all prices are fixed

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in the short run, as is implied by the Keynesian horizontal aggregate supply curve. In the			

post-Keynesian era four different theories of aggregate supply have appeared which try to explain the phenomenon that while

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the short-run aggregate supply curve is upward-rising, the long-run aggregate supply curve is vertical.			

They all end up with the same aggregate supply equation given by $y = y^* + \alpha(P - P^e)$ where y is output and y^* the natural rate of output, P is the price level and P^e is the expected price level. We will however, discuss only the worker-misperception model. The worker-misperception model assumes that the quantity of labour demanded by firms (N^d) depends on the real wage (W/P), when the labour demand function is given by $N^d = \dots$ (6.11) But workers do not know the correct overall price level (P); they have only expectations about it. And the quantity of labour supplied (N^s) depends on the real wage that workers expect to earn (W/P^e). The labour supply curve is given by

$N^s = \dots$ Now W/P^e can be written as $\frac{W}{P} \cdot \frac{P}{P^e} = x \dots$ (6.13) where $\frac{P}{P^e}$ measures workers' misperception about the price level. If $\frac{P}{P^e}$ is greater than one, the price level is greater than what workers expected, and if $\frac{P}{P^e}$ is less than one, the price level is less than expected. Fig. 6.10 Substituting (6.13) in (6.12) we get the labour supply curve as $N^s = \dots$ (6.14) which says that the quantity of labour supplied depends on the real wage and on worker-misperception of the price level. The labour market equilibrium is shown in Fig. 6.10 in which the labour demand curve intersects the labour supply curve at point E to determine the equilibrium level of employment (N^E) and the equilibrium real wage rate (W/P). If the price level P rises and workers correctly anticipate the change, so that $\frac{P}{P^e}$ remains as it was before, then there would be no shift in the labour supply curve. With no change in the labour-demand curve, the labour market equilibrium will remain at E with no change in employment. If, however, the rise in the price level is not anticipated, so that P^e remains the same when prices rise, then $\frac{P}{P^e}$ rises, shifting the labour supply curve to the N^s ' position lowering the equilibrium real wage and raising the level of employment. In essence, workers believe that the price level is lower, and the real wage is higher, than actually is the case. This misperception induces them to supply more labour. Firms are assumed to be better informed than workers and to recognize the fall in the real wage, so they hire more labour. Since output depends on employment, we see that in the misperception model output depends on the value of the expected price. If the expected price level is the same as the actual price level, then there are no changes in the equilibrium value of employment and, hence, output. This equilibrium value of output is the full-employment level of output (y^*). If the price level is above its expected value, employment rises temporarily above the full-employment level and output is above the natural output. If, however, the actual price level is below the expected value, employment and output fall below their respective natural values. Hence, the short-run aggregate supply curve is given by $y = y^* + \alpha(P - P^e)$ (6.15) which is the same as the relation (6.10). 6.6 Relation Between the Phillips Curve and the Aggregate Supply Curve The aggregate supply equation (6.15) can be written as

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$\ln(P/P^e) = \alpha(y - y^*) + \dots$ (6.16) Subtracting last year's price level P_{-1} from both sides of			

the equation we have

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$e^{1-\alpha} (P/P)^{\alpha} (y/y^*)^{1-\alpha} = \pi + \alpha \dots$ (6.17) $\ln(P/P_{-1})$ is the difference between the current price level and last year's price level, which is inflation (π). The term (P/P_{-1}) on the right-hand side of (6.17) is the expected rate of inflation (π^e). Thus, by substituting π and π^e for (P/P_{-1}) and $(e^{1-\alpha} (P/P)^{\alpha} (y/y^*)^{1-\alpha})$ respectively in (6.17) we get $e^{1-\alpha} (y/y^*)^{1-\alpha} \pi = \pi^e + \alpha \dots$ (6.18) If we now substitute Okun's Law of equation (6.9) in (6.18), we get $e^{1-\alpha} (u-u^*)^{1-\alpha} \pi = \pi^e - \dots$ (6.19) which is the expectation augmented Phillips curve equation based on Friedman-Phelps amendment. It was pointed out above that the empirical law of the Phillips curve was designed to explain the U.K. data for unemployment and wage rate relationship for the period from 1861 to 1957. But the data for the 1970s and later periods did not fit the simple Phillips curve, so that there was little scope for policy prescription with respect to the trade-off between unemployment and inflation. To explain the phenomenon Friedman and Phelps suggested that the simple Phillips curve would shift over time depending upon the rate of inflation expected by workers and firms and that, in the long run, the economy would move to the natural rate of unemployment whatever the rate of change of wages and the inflation rate. They argued that as long as unemployment is above the natural rate, the excess unemployment should cause the real wage to fall and employment to approach the natural rate. Similarly, when unemployment is below the natural rate, there are too few people available to firms to fill jobs as rapidly as they do normally. The real wage should rise, increasing the rate of unemployment to its natural level. Thus, according to them, while there may be

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a short-run trade-off between inflation and unemployment, there is no long-run trade-off. 114

To formalize this view, the expectation-augmented Phillips curve can be written as $e^{1-\alpha} (u-u^*)^{1-\alpha} \pi = \pi^e - \dots$ (6.20) where π^e is the expected rate of inflation. Equation (6.20) is the same as (6.19) and tells us that if unemployment is equal to the natural rate of unemployment, then expected inflation is the same as the actual rate of inflation. On the other hand, if the expected rate of inflation is the same as the actual rate of inflation, the rate of unemployment would be the same as the natural rate of unemployment. In a similar way, it is easy to show that starting with the Phillips curve equation, we can go back to the aggregate supply equation by an analogously reverse procedure. Thus, we can say that the Phillips curve equation and the short-run aggregate supply equation represent essentially the same macroeconomic ideas. According to the short-run aggregate supply equation,

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output is related to unexpected movements in the price level.

According to the Phillips curve equations, on the other hand,

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unemployment is related to unexpected movements in the inflation rate.

The aggregate supply curve is more convenient when we study output and the price level, whereas the Phillips curve is more convenient when we study unemployment and inflation. Thus, the Phillips curve and the aggregate supply curve are merely two sides of the same coin. With our discussion of the aggregate demand of the previous unit and of the aggregate supply of the present unit, we are now in a better position to study not only the functioning of the economy in a better way, but also to compare and contrast the different theories of macroeconomic policy. This will be the subject matter of the next unit. 6.7 Exercises a. Objective Type Questions : 1. The demand for labour curve is downward sloping because (a) there are diminishing returns to more and more employment (b) the marginal productivity of labour falls; (c) the price of the output falls as output rises; (d) all of the above.

115 2. The supply of labour curve, is backward-bending because (a) the substitution effect of rising wage rates outweighs the income effect; (b) the income effect outweighs the substitution effect; (c) worker's expectation changes; (d) none of the above. 3. The classical AS curve is vertical because as the price level rises (a) the supply of labour curve shifts upward; (b) the demand for labour curve shifts to the right; (c) there is no voluntary unemployment; (d) None of the above. 4. The Keynesian AS curve is horizontal because (a) the economy is in the liquidity trap; (b) there is involuntary unemployment; (c) the demand for labour curve shifts to the right as prices change; (d) none of the above. b. Short-answer Type Questions : 5. In the frictionless classical and neoclassical model, assume that labour becomes more productive, with the labour demand curve shifting upward and to the right. (a) What is the effect of this change on the full-employment levels of employment and output? (b) What is the effect on the full-employment real wage? (c) How would your answers to (a) and (b) be affected if the labour supply curve were vertical. 6. In the frictionless model, what is the effect of an increase in the productivity of labour on the equilibrium level of prices? 7. Analyse the effects of a reduction in the money stock on the price level and on output when the aggregate supply curve is positively sloped and wages adjust slowly over time. 8. If the government increases its spending, discuss the short-run and the long-run adjustments in the economy. c. Long-answer Type Questions : 9. Explain the concept of

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the natural rate of unemployment. What are the implications of Milton Friedman's theory of the natural rate of unemployment

for the effectiveness of economic stabilization policies? 10. Explain why monetarists believe that monetary policy affects

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output and employment in the short run, but not in the long run.

What is the crucial difference between the short run and the long run? 11. Consider the following changes in the sticky-wage model ($\dot{w} = \omega(w - P)$ where ω is the target real wage) (a) Suppose that labour contracts specify that the nominal wage be fully indexed for inflation. That is, the nominal wage is to be adjusted to fully compensate for changes in the consumer price index. How does full indexation alter the aggregate supply curve in this model? (b) Suppose now that indexation is only partial. That is, for every increase in the CPI, the nominal wage rises, but by a smaller percentage. How does partial indexation alter the aggregate supply curve in this model? 12. Suppose that an economy has the Phillips curve $\dot{\pi} = -\alpha(\pi - \pi^*) + \beta(u - u^*)$ (a) What is the natural rate of unemployment? (b) Graph the short-run and long-run relationships between inflation and unemployment. (c) How much cyclical unemployment is necessary to reduce inflation by 5 percentage points? Using Okun's law, compute the sacrifice ratio. (d) Inflation is running at 10 percent. The central bank wants to reduce it to 5 percent.

117 Give two scenarios that will achieve this goal. 6.8 References 1. Rudiger Dornbusch and Stanley Fischer, *Macroeconomics*, Fifth Edition, 1990. 2. Richard T. Froyen, *Macroeconomics : Theories and Policies*, Sixth Edition, First Indian Reprint 2001. 3. N. Gregory Mankiw, *Macroeconomics*, Fourth Edition, 2000.

118 Unit-7 q The Supply of Money, Inflation and Macro economic Controversy Structure 7.0 Objectives 7.1 Introduction 7.2 Supply of Money 7.3 The Phenomenon of Inflation 7.3.1. Demand Inflation 7.3.2. Cost Inflation 7.3.3. Inflation as a Disequilibrium Phenomenon 7.4 Modern Theories of Inflation, Economic Fluctuations, and Macroeconomic Controversy 7.5 Stabilization Policy 7.6 Exercises 7.7 References 7.0 Objectives This unit will help you to understand I How money supply is determined in the economy I The Theories of Inflation I Macroeconomic Controversies I Problems of Stabilization 7.1 Introduction In Unit 5 we have discussed the counterrevolution launched by Milton Friedman and

119 his colleagues which challenged many of the theoretical premises of the so-called Keynesian revolution. In Unit 6 we have studied the empirical law of the Phillips Curve in connection with the theory of the aggregate supply curve. This empirical finding together with the line of thinking introduced by Friedman led to the emergence of several schools of thought which made macroeconomics an area of economic controversy. We will discuss this controversy very briefly, but before we go into it let us discuss how the supply of money is determined in the economy and the phenomenon of inflation.

7.2 Supply of Money Money is a means of payment or medium of exchange. It does away with the difficulties of barter, that is, the exchange of goods, for goods, and facilitates transactions. In order to serve as a medium of exchange money should be generally accepted and, in order to be generally accepted, money should have some desirable qualities like durability, portability, recognizability, and so on. Today all types of money have these qualities in different degrees. Serving as a medium of exchange, money stands as a general purchasing power. And by dint of this power, it functions as

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a store of value, a unit of account and as a standard of deferred

payments. Because of these different functions of money, the nature of money has changed over time. With changes in the nature and volume of transactions, many different things are included in different definitions of the money supply. The most widely used definition of the stock of money includes currency in the hands of the public on the one hand and deposits at banks that households can use on demand such as checking accounts on the other. Thus, if M denotes the stock of money, C currency, and D demand deposits, we can write $\text{Stock of money} = \text{Currency} + \text{Demand Deposits}$ $M = C + D$ (7.1) Fractional-Reserve Banking If there were no banks, all money would consist of currency only. On the other hand, if banks hold 100 percent of deposits in reserve and do not make any loans, the banking system would not affect the supply of money. All money would again consist of the total amount of currency held by the public. But in reality we have fractional-reserve banking where banks do not hold 100 percent

120 of their deposits as reserves; but loans out money to earn interest. If the banks maintain a reserve-deposit ratio of 20 percent, then the balance sheet of First Bank receiving a deposit of Rs. 10,000 from households would look as follows: First bank's Balance Sheet

Assets	Liabilities
Reserves Rs. 2,000	Deposits Rs. 10,000
Loans Rs. 8,000	

In the process of earning interest First bank increases the money supply by Rs. 8,000, when it makes a loan of this amount. Before the loan is made the money supply is Rs. 10,000. Now, it is Rs. 18,000: the depositors still have a demand deposit of Rs. 10,000, but now the borrower holds Rs. 8,000 in currency. Thus, in a system of fractional-reserve banking, banks create money. The creation of money does not stop with First bank. If the borrower deposits the Rs. 8,000 in Second bank (or if the borrower uses the Rs. 8,000 to pay someone who then deposits it), the process of money creation continues. The balance sheet of Second bank would be:

Assets	Liabilities
Reserves Rs. 1,600	Deposits Rs. 8,000
Loans Rs. 6,400	

Second bank receives the Rs. 8,000 in deposits, keeps 20 percent, or 1,600, in reserve, and then loans out Rs. 6,400. Thus, Second bank creates 6,400 of new money. The loans of Rs. 6,400 may be deposited in a Third bank, which may create money in the same way, and so on. If rr stands for the reserve ratio, then the total amount of money created in this way can be calculated as follows: Original Deposit = Rs. 10,000 First bank Lending = Rs. $(1 - rr) \times 10,000$ Second bank Lending = Rs. $(1 - rr)^2 \times 10,000$ Third bank Lending = Rs. $(1 - rr)^3 \times 10,000$

121 Therefore, the total money created = $[1 + (1 - rr) + (1 - rr)^2 + (1 - rr)^3 + \dots]$ \times Rs. 10,000 $(1 - rr)^n$ In our example, $rr = 0.2$, so the original deposit of Rs. 10,000 generates Rs. 50,000 of money. A Model of the Money Supply Under fractional-reserve banking, the total supply of money in the economy can be described in terms of a model which has three exogenous variables: M The monetary base B , standing for the total amount of money held by the public in notes and coins, C , and as reserves, R , by the banks. The central bank directly controls this amount. $M = C + R$

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The reserve-ratio rr is the fraction of deposits that banks hold

as legal reserve. It is determined by the business policies of banks and the laws regulating banks. $rr = \frac{R}{D}$

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The currency-deposit ratio cr is the amount of currency C people hold as a fraction of their holdings of demand or checking deposits D . $cr = \frac{C}{D}$

It reflects the preferences of households about the form of money they wish to hold. The first component defines the monetary base as $B = C + R$ (7.2) And we already know from (7.1) that the money supply is given by $M = C + D$ (7.1) Dividing (7.1) by (7.2) we get $M/C = D/R + 1$ (7.3) If we now divide the top and the bottom of the right-hand expression of (7.3) by D , we have $M/D = 1 + R/D$ (7.4) where e is the currency-deposit ratio and r is the reserve ratio: From (7.4) we obtain $M = m \times B$ (7.5) where m is called the money multiplier. Each rupee of the monetary base produces m rupees of money. Since

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the monetary base has a multiplied effect on the money supply, the monetary base is also called high-powered money.

The central bank can control the money supply by influencing B , e and r ; but it does not have full control over the money supply. It can influence the monetary base (B) by its open-market operations. When the monetary base and, hence, the money supply. When, on the other hand, the central bank sells bonds to the public, the money supply is reduced through a contraction of the monetary base. The central bank's decision to change the required reserve ratio has an important influence on the reserve ratio maintained by banks. But in deciding how much to keep in reserves the banks take into account not only the required reserve ratio stipulated by the central bank but also the variability of cash inflows and outflows, the cost of borrowing in case they run short of reserves and the market rate of interest. Similarly, the currency-deposit ratio is determined primarily by the payment habits of the public. It is affected by the convenience and accessibility of banks. Moreover, the currency-deposit ratio increases when the ratio of consumption to GNP increases and, so, has a strong seasonal pattern. This being how the supply of money in the economy is determined, it has an intimate relationship with the phenomenon of inflation which is discussed in the next section.

7.3 The Phenomenon of Inflation

Inflation is the phenomenon of rising prices; it is measured as the percentage rate of increases of the level of prices during a given period. The price level is an average of all 123 prices. This average rises when the prices of most commodities and most important commodities rise. There may be some commodities, whose prices may be going down, but they may not be important enough to check the rise in the general price level. Thus, the phenomenon of inflation concerns the whole economy and should be studied in terms of aggregate demand and aggregate supply. Like the price of an ordinary commodity, the price level can rise because of a shift of the aggregate demand curve to the right or of a shift of the aggregate supply curve to the left or of both. The theories of inflation which emphasise the shift in aggregate demand are called demand-pull or, simply, demand inflation and those that emphasise the shift in aggregate supply are called cost-push or, simply, cost inflation.

7.3.1. Demand Inflation

The Classical Theory The classical theory of inflation is essentially a theory of demand inflation and is based on the quantity theory of money. It postulates that the price level depends directly and proportionately on the quantity of money in the economy. Inflation occurs when the supply (quantity) of money in the economy increases, and comes to a stop when the quantity of money is stabilized. The rate of inflation presumably depends on the rate of new money creation; if the supply of money increases by x percent per year, then the rate of inflation would be x percent per year. According to Wicksell, this increase in the supply of money constitutes a net increase in aggregate demand, for

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new money flows into the economy when businessmen finance investment in excess of the current rate of saving

by taking loans from banks. With the total supply of goods remaining unchanged (since the economy always operates at full employment), the net increase in aggregate demand bids up prices of goods and services; and at the same time attract "forced saving" from consumers, who spend according to their incomes of the previous year. This rise in prices will not, however, reduce aggregate demand since, after a brief lag, money incomes would rise in proportion to prices. Hence, a tussle goes on between consumers and investors for the limited supply of goods. If the banks supply the investors with further new loans, the process would continue. If, on the other hand, the banks cease to expand the money supply, the market rate of interest would rise to the "natural rate" chocking off the extra investment demand and reducing consumption, and thus halting the inflation.

124 The Keynesian Theory Keynes did not think that aggregate demand is determined by the quantity of money. According to Keynes, an economy might experience some inflation even with a constant money supply. If the supply of money is constant and the level of investment demand rises, the level of prices would rise, it would raise the transactions demand for money and thus push up interest rates. This would tend to choke off the extra investment demand and to moderate the inflationary pressure. But it would not eliminate it. The reason is that the rise in interest rates would free some cash from speculative balances to supply the added transactions needs. Only if there were zero speculative balances would the result correspond to the classical quantity theory. The Keynesian theory of inflation proceeds in terms of the concept of the "inflationary gap, which is measured by the excess of aggregate demand over the full-employment level of output. The concept is illustrated in Fig. 7.1. Assuming that the level of spending is independent of the level of prices, the total desired real expenditures at each level of real income are shown by the solid line $(c + i + g)$. If there were no limit on real output, income would rise to y_s , where real expenditure would equal real output. But suppose there exists a full-employment limit or real income, y_F . Real income cannot be y_s . At y_F , aggregate demand $(c + i + g)$ exceeds total output, leaving an "inflationary gap" equal to AB in Fig. 7.1. The inflationary gap would cause prices to rise, but since, on our assumption, real spending is independent of the price level, the rise in prices does not eliminate the gap. Inflation proceeds without limit, unless and until there are indirect effects of rising prices either on c , i , or g , sufficient to eliminate the gap. Fig. 7.1

125 7.3.2. Cost Inflation From Wicksell's formulation of the classical approach to inflation and Keynes's theory of the "inflationary" gap it is clear that they both emphasized the fact that the rise in prices would not, by themselves, reduce aggregate demand. For the rise in prices would lead to a rise in costs which, in its turn, would work to increase prices still further. Thus, the demand inflation theory needs a theory of cost inflation to explain the inflationary process. In fact, these two theories of inflation are complementary to one another. But the advocates of cost inflation theory maintain that wage-costs can initiate a process of inflation on its own. They emphasize the fact that wage rates in the modern economy are not strictly market-determined. They do not adjust automatically to clear the labour market. They are "administered prices" and, as such, do not rise only when the demand for labour exceeds the supply. Thus, 'the wage rate may rise, even when there is an excess supply of labour, if the cost-of-living rises and wages are tied to it. The wage rate may rise as a reflection of some presumed (or even measured) rise in productivity, or if wages elsewhere rise, or, simply because, employers want their workers to be happy. The crucial difference from the demand inflation case is that, here, rising wages are not, for each and every type of labour, and in each and every labour market or even in the typical case, confined to the situation in which there is an actual, experienced market scarcity of labour, which forces employers to compete for workers by bidding wages upward. If the wage rates rise, prices will continue to rise till the previous ratio of wages to prices is restored. Thus, this is spontaneous inflation. It requires no excess demand; it can even occur when there is some or perhaps considerable unemployment. It arises because wage rates increase even with no excess demand for labour.

7.3.3. Inflation as a Disequilibrium Phenomenon From the above discussion, particularly from Keynes's analysis of inflation, it is clear that inflation was regarded as essentially a disequilibrium phenomenon. Thus, according to Keynes, inflationary price rises do not, by themselves, eliminate inflation and, if the inflationary gap is not eliminated through aggregate demand management policies, inflation would continue. But there may be indirect effects of rising prices on

126 consumption, investment and government spending which may work to reduce the inflationary gap, bringing a halt to inflationary price rises. The best portrayal of the inflationary situation as a disequilibrium phenomenon is provided by the Bent Hansen model discussed below Bent Hansen's. Model of Inflation The model can best be illustrated in terms of Fig. 7.2, in which the vertical axis measures the price-wage ratio. The SS

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curve indicates the amounts of aggregate output that firms would want to supply at each price-wage ratio.

The vertical line $S'S'$ stands for the full-employment level of output. The horizontal distance between the SS and $S'S'$ lines can be taken as an index of the "inflationary gap in the factor market". Fig. 7.2 The aggregate demand curve DD is also a function of the price-wage ratio; as the latter falls the aggregate demand increases. The horizontal distance between the DD and $S'S'$ curves can be taken as a measure of the "inflationary gap in the goods market". Hansen assumes the following dynamic relation : (a) $\frac{1}{dt} \frac{dp}{p} = f(D, S')$ and (b) $\frac{2}{dt} \frac{dw}{w} = f(S, S')$ (7.6) The relation (7.6a) states that the time rate of change of the price level is a function of the size of the inflationary gap in the goods market ($D - S$) and the relation (7.1 b)

127 states that the time rate of change of the wage rate depends on the size of the inflationary gap in the factor market ($S - S'$). The marking of these relationships in (7.6) can be described as follows. If the economy happens to be at K in Fig. 7.2, then there is no inflationary gap in the goods market, and, so, goods prices do not rise. But at k there is a large gap in the factor market leading to rises in the wage rate. As the wage rate rises, P_W falls, and an inflationary gap in the goods market develops. Similarly, at L there is no gap in factor market, but there is a large gap in the goods market forcing goods prices to rise. So we see that at K there is a downward movement, while at L there is an upward movement in the economy. Moreover, so long as the rate of increase of goods prices is greater than that of the wage rate, the economy would move further up from L and so long as the rate of increase of the wage rate is greater than the rate of increase in goods prices the economy would move further down from K. Only at the quasi-equilibrium at M, where both the gaps are the same, would prices and wages would rise at the same rate and the inflation would continue unabated. Thus, the inflationary gap developing in either of the two markets would impinge on the other leading to cumulative price increases, which is the main characteristic of the process of inflation.

7.4 Modern Theories of Inflation, Economic Fluctuations, and Macroeconomic Controversy Modern theories of inflation regard inflation as one aspect of economic fluctuations and, so, try to explain them in terms of interactions of aggregate demand and aggregate supply. According to them, inflation is not essentially a full-employment phenomenon- it can occur even when there is unemployment. Indeed, the empirical law of

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the Phillips curve, which implies a trade-off between the rate of inflation and the rate of

unemployment, is part and parcel of the modern theory of inflation. Moreover, inflation is looked upon as an equilibrating phenomenon, which may work to bring about equilibrium in the economy. One important feature of the modern theory of economic fluctuations is the fact that the long-run is always a part of the analysis, so that the short-run horizontal Keynesian aggregate supply curve has no place in it. As we have seen in the last units, the modern theories of aggregate supply regard that aggregate supply is an upward-rising function of prices and that

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in the long-run the aggregate supply curve is vertical.

To see how the model of aggregate demand and aggregate supply provides a framework to analyse economic fluctuations including inflation, let us assume that the economy is initially in full-employment equilibrium at point E_0 as in Fig. 7.3. Suppose now that the nominal money stock increases so that at each price level real balances are higher and interest rates are lower. As a result the demand for output as a whole rises and the aggregate demand schedule shifts from AD_0 to AD_1 . But there is no change in the aggregate supply curve AS_0 which is drawn for a given past price level P_{-1} . It passes through the full-employment level of output when $P = P_{-1}$. When output is at the full-employment level, there is no tendency for wages to change and, hence, costs and prices are also constant from period to period.

Fig. 7.3 The Keynesian and the Monetarist Views Compared As

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the aggregate demand curve shifts to the position AD_1 , according to the

Keynesian analysis, an inflationary gap in the form of an excess demand develops at the price level $P = P_{-1}$. Firms find their inventories are running down and, to maintain the same level of inventories, they try to produce more by hiring more labour. As wages rise prices, too, rise leading to further rise in wages. Hence, the inflationary gap continues to persist. Inflation is, thus, essentially a disequilibrium phenomenon in the Keynesian analysis. Short-run Effects But the monetarists point out that equilibrium is not incompatible with short-run over-

129 full employment level of output, the equilibrating force being the price rise—a fact which the new Keynesians also agree. Thus, as the aggregate demand curve shifts to the position AD_1 , both output and prices rise in the short-run reaching the new equilibrium at E_2 . • Medium and Long-term Adjustments But this is not the end of the story. At E_2 output is above normal and the wage rise induces the aggregate supply curve to shift upward to the position AS_1 in Fig. 7.4. This happens because this new supply curve passes through the full-employment level of output at $P = P_2$. At the new equilibrium point E_3 (Fig. 7.4) output has fallen compared to E_2 , but prices are still higher. But as long as the economy is to the right of y_F output and employment are above normal. Wages would continue to rise leading to further increases in prices. The aggregate supply curve would continue to shift upward till equilibrium is reached at the point E_4 (Fig. 7.4) when the economy returns to the full-employment level of output and prices cease to rise further. Fig. 7.4 At E_4 , prices have risen in the same proportion as the nominal money stock; so the real money stock M/P is again at the initial level. When real balances and, therefore, interest rates are again at the initial level, excess demand is eliminated, and output and employment return to their normal level. Thus, in the long run, when wages and prices have had time to adjust fully, the model has the same predictions as the classical case.

130 The difference is only in the adjustment process. In the classical case a monetary expansion leads immediately to an equiproportionate rise in prices with no real expansion. Here, both output and prices rise in the short and medium terms, and only in the long run we reach the classical case. By assumption, though, the real wage remains constant in the adjustment process. In the short run, the predictions of the model resemble more closely to the Keynesian case, and the more slowly wages adjust to changes in employment, the greater the resemblance. It should, however, be noted that short and medium-term adjustments are slow; hence, the adjustments of wages and prices are quite important for macroeconomic analysis. Rational Expectations and the New Classical Economies The new classical economists do not make a distinction between the short-run results as the Keynesians and the monetarists do. On the contrary, on the basis of their hypothesis of rational expectations, they put forward their policy ineffectiveness postulate. The postulate says that stabilization of real variables, such as output and employment, cannot be achieved by aggregate demand management. The values of these variables both in the short run and in the long run are insensitive to aggregate demand management policies. Rational Expectations The rational expectations school pioneered by Robert Lucas and Thomas Sargent criticized the Keynesian assumption regarding the formation of price expectations. The Keynesian formulation assumes that labour suppliers form an expectation of the current aggregate price level (or future inflation rate) on the basis of past behaviour of prices. In practice, Keynesians and monetarists have assumed that such price expectations adjust slowly and can be taken to be fixed for the analysis of policy effects over relatively short periods. Thus, the short run, according to the views, can precisely be defined as the period over which such expectations are fixed. New classical economists criticize such formulations regarding the formation of price expectations as “naive in the extreme”. They ask: why would rational economic agents rely only on past values of the price level in forming an expectation regarding the price level, particularly when they find that such behaviour results in their being systematically wrong? The new classical economists maintain that people do not make systematic mistakes. In order to predict the value of a particular variable, they not only

131 utilize all past and present relevant information regarding the variable, but also all relevant variables that may affect the future value of the variable. Thus, for instance, in forming a price expectation, people not only take past behaviour of prices, but also the variables like the level of money stock (M_e), government spending (g_e), tax collection (t_e), autonomous investment (i_e) and so on. Moreover, people use all this information intelligently. Since the rational expectations hypothesis is that people do not make systematic mistakes, the economy will always remain at the long-run equilibrium with the natural rate of output and employment. And what may lead to deviations from them is unexpected price rises and unexpected policy changes. Thus, let us suppose that the economy is at the long-run equilibrium at A in Fig. 7.5. If there is an unexpected monetary expansion by the government the aggregate demand curve shifts to the position AD_1 from AD_0 and the price level rises from P_0 to P_1 . Since this price level is above the expected price level (P_0^e), output rises temporarily above the natural rate, as the economy moves along the short-run aggregate supply curve from point A to point B . People, however, correctly anticipate the long-run price level which is P_2 , and the aggregate supply curve moves to the position AS_1 . The economy returns to a new long-run equilibrium at C , where output is back at its natural rate. Fig. 7.5 As regards the relationship between inflation, unemployment and output the advocates of rational expectations believe that people optimally utilize all available information regarding the government's monetary and fiscal policies which may affect inflation. And if policy makers are credibly committed to reducing inflation, rational people will understand the commitment and will quickly lower their expectations of inflation. Inflation can then come down without a rise in unemployment and a fall in output. According to

132 the theory of rational expectations, traditional estimates of the sacrifice ratio calculated with respect to the short-run Phillips curve. are not useful for evaluating the impact of alternative policies. Under a credible policy, the cost of reducing inflation may be much lower than what estimates of the sacrifice ratio suggest. 7.5 Stabilization Policy Differences in opinion among different schools of thought come to the fore in the context of stabilization policies. Stabilization policies are monetary and fiscal policies designed to moderate fluctuations in rates of growth, inflation, unemployment' and so on. Monetary policies in a country are controlled by the central bank of that country and they include policies to change the stock of money and the market rates of interest. The chief instruments of monetary policy, as we have already pointed out, are open market operations, variable reserve ratio, the bank rate policy, and soon. Fiscal policies are under the control of the executive branch of the government and include policies like changing tax rates, government spending, and soon. The classical economists, as we have seen, thought that the invisible hand of the price system works for the welfare of the society and Say's Law operates to bring about macroeconomic equilibrium at full employment. Government intervention into the economy would be detrimental to the working of the economy, and macroeconomic disturbances can be adequately tackled by means of wage cuts and money supply policies. Keynes, on the other hand, maintained that fluctuations in the economy arise out of fluctuations in aggregate demand. Hence, aggregate demand management is the key to reducing economic fluctuations, and fiscal policies, rather than monetary policies, are more effective to achieve desired objectives. Monetarists, led by Milton Friedman, do not regard fiscal policy as an effective stabilization tool, for instability in the economy is primarily the result of government policies. According to them, the private sector is inherently stable and since the supply of money is the dominant influence on nominal income, stability in the growth of the money supply is crucial for stability in the economy. Monetarists believe that such stability is best achieved by adopting a rule for the growth rate in the money stock. The new classical economists are even more skeptical than the monetarists about the usefulness of activist stabilization policies. The central policy tenet of their economies

133 is that stabilization of real variables such as output and employment cannot be achieved by aggregate demand management policies. They maintain that economic agents form rational expectations on the basis of all available relevant information and, so, they do not make systematic mistakes. Only unanticipated policy changes can bring about temporary changes in output and employment. Otherwise systematic monetary and fiscal policy actions that change aggregate demand will not affect output and employment even in the short run. 7.6 Exercises a. Objective Type Questions : 1. The value of the money multiplier depends upon- (a) the value of the currency-deposit ratio; (b) the value of the reserve ratio; (c) the value of the monetary base; (d) the values of all the above: 2. Inflation is defined as – (a) a situation of too much money chasing too few goods; (b) a disequilibrium situation; (c) a phenomenon of rising prices; (d) none of the above. 3. Inflationary gap develops because of – (a) a rise in demand; (b) a rise in the supply of money; (c) an increase in demand in a situation of full-employment; (d) none of the above. 4. A cost-inflation occurs because of – (a) a rise in price of some important item of production, like oil or natural gas;

134 (b) a rise in wage-cost; (c) a rise in administered prices; (d) all of the above. b. Short-answer Type Questions 5. What is the maximum amount of the increase in checkable deposits that can result from a Rs. 10,000 increase in legal reserves if the required reserve ratio for checkable deposits is 10 percent? Explain how this increase comes about in the banking system? Give two reasons why the actual increase may fall short of the theoretical maximum. 6. Explain the concept of the money multiplier: What factors determine the size of the money multiplier? 7. Within the IS-LM curve model show how income and the interest rate will be affected by each of the following strategies. (a) An increase in the required reserve ratio for checkable deposits. (b) An open-market sale of securities by the central bank. (c) A decrease in the central bank discount rate. 8. (a) What are the economic costs of inflation? Distinguish between anticipated and unanticipated inflation. (b) Do you think anything is missing from the list of costs of inflation that economists present? If so, why? c. Long-answer Type Questions : 9. Suppose the economy is initially at an unemployment rate of 7 percent and that the aim is to get the rate down to 5 percent. Suppose that expectations are adaptive, with $e_{1-\pi} = \pi$, and that the inflation rate last period was 7 percent. Using Okun's law combined with the extended Phillips curve equation $e_{1-\pi}(u - u^*) = -\pi - \epsilon - \beta$ where $0.5: \beta =$ (a) Compare the inflationary effects of reducing the unemployment rate to 5 percent within a year to those of aiming to bring it down to 5 percent within 3 years (b) Show the paths of output growth corresponding to the two paths in part(a).

135 10. Within the IS-LM framework, illustrate the nature of the conflict that the central bank faces between trying to hold the money stock and trying to achieve "desirable" level of the interest rate. 11. Explain the implications of the rational expectations assumptions for the effectiveness of economic stabilization policy. 12. Contrast the new classical and Keynesian views of the way in which labour markets function. 7.8 References I Richard T. Froyen, Macroeconomics : Theories and Policies, Sixth Edition, 2001. I Rudiger Dornbusch and Stanley Fischer, Macroeconomics, Fifth Edition, 1990. I N. Gregory Mankiw, Macroeconomics, Fourth Edition, 2000. I Gardener Ackley, Macroeconomic Theory, 1961.

136 Unit 8 q The Open Economy Structure 8.0 Objectives 8.1 Introduction 8.2 The Balance of International Payments 8.3 Open-Economy Macroeconomic Identities 8.3.1. Open-Economy Macroeconomic Problems 8.4 Open-Economy Macroeconomic Policies 8.4.1. The Fixed Exchange Rate System 8.4.2. The Floating Exchange Rate System 8.5 Purchasing Power Parity Theory 8.6 Should Governments Intervene? 8.7 Exercises 8.8 References 8.0 Objectives This unit will help you to understand l The basic problems of an open economy with fixed exchange rates l The basic problems of an open economy with floating exchange rates l Macroeconomic policy in an open economy l Should the government intervene to achieve desired results? 8.1 Introduction We started our macroeconomic analysis with Unit 3 and it has so far been conducted in terms of a closed economy where there is neither any export nor any import. But in reality all countries today have open economies, where consumers, producers and the 137 government of each country carry on a wide range of economic transactions with the rest of the world. So, it is time that we extend our analysis to take account of open economies. International transactions have been growing rapidly over time and have become so important that almost every country maintains, over its its national income accounts, its own balance of payments accounts. 8.2

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The Balance of International Payments The balance of payments is a summary statement of the economic transactions of the residents of a country with the rest of the world.

The balance of international payments is

usually listed in. three sections, namely, the current accounts, the capital account, and the official reserve transactions. The current account records trade in goods and services, as well as transfers. Thus, a typical current account in the balance of payments accounts of a country would include the following categories of items : Current Account Private : Merchandise (or "trade balance"); and Invisibles : Travel (tourists, etc.) and transportation (shipping services, etc.), Income on investments (interest, royalties, dividends, foreign bond earnings), other services. Governmental : Government transactions of military goods allies with government grants, etc. Merchandise or "trade balance" includes exports to and imports of goods from the rest of the world. Other services include transfer payments consisting of remittances, gifts and grants. Adding all these items, we arrive at the current account balance. We talk of a current account surplus if net exports of goods (exports minus imports) plus net income from services and net transfers is positive, that is; if receipts from trade in goods and services and transfers exceeds payments on this

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account. The capital account records purchases and sales of assets, such as bonds, and land.

The capital account may- be subdivided into short-term and long-term asset transactions:

138 Capital Account Long-term Private Government Short-term Private Government Errors and Omissions A surplus in the capital account implies that the

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receipts from the sale of stocks, bonds, land, bank deposits, and other assets

exceed the expenditure due to purchases of foreign assets. When there is a surplus in the capital account, there is a net inflow of capital into the country, and a deficit in the capital account implies that there is a net. outflow of capital from the country. The sum of the current account balance and the capital account balance gives a country's overall balance of payments. A country's overall balance of payments would be in a surplus if the current and capital account balances add up to a positive value. Similarly, a country's overall balance of payments would be in a deficit if the sum of its current and capital account balances is a negative amount. The overall balance of payments is recorded in the official reserve transactions, as it will be clear in the following Table. Table 8-1 shows that the United states had on the average balance of payments deficits during the years from 1960 to 1988. Table 8-1 The United States Balance of Payments (billions of dollars, annual averages) 1960-1969 1970-1979 1980-1984 1985-1988 Current account 33 - 02 - 284 - 1361 Capital account - 46 - 140 262 105'7 Balance of Payments = 1'3 142 - 22 - 30 4 Official reserve transactions Source : Dornbusch v Fischer, p.178 In 1999 the United. States revised its international accounts to conform to new

139 guidelines. Former "Capital account"; become "financial account". A newly defined "capital account" consists of capital transfers and the acquisition and disposed of non- produced non-financial assets. The U.S. balance of payments deficits imply that the U.S. citizens had to pay more currency to foreigners than was received by that country. The Fed (the U.S. central bank) and foreign central banks provided the foreign currency to make payments to foreigners, and the net amount supplied was "official reserve transactions". Thus, official reserve transactions are equal to the overall balance of payments, the last row in Table 8-1. In a fixed exchange rate system, the central banks. have to finance any balance of payments surplus or deficit at the official exchange rate. They do that simply by buying or selling all the foreign currency that is not supplied in private transactions. Fixed exchange rates thus operate like any other price support scheme, such as those in agricultural markets. Given market demand and supply, the price fixer has to make up the excess demand or take up the excess supply. In order to be able to ensure that the price (exchange rate) stays fixed, it is obviously necessary to hold an inventory of foreign currencies, or' foreign exchange, that can be provided in exchange for the domestic currency. So long as the central bank has the necessary reserves, it can continue to intervene in the foreign exchange workers and buy or sell foreign exchange, to keep the exchange rate constant. However, if a country persistently runs deficits in the

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balance of payments, the central bank will eventually run out of reserves of foreign exchange and will not be able to continue its intervention. In the flexible

or floating exchange rate systems, by contrast, the central banks allow

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the exchange rate to adjust to equate supply and demand for foreign

exchange. Now, the supply and demand for foreign exchange is generated out of internal demand for and supply of both home and foreign goods and services. And, as it will be discussed later, ensuring equilibrium in the balance of payments both in the fixed and floating exchange rate systems, requires wide changes in the internal economic situations. Hence, to understand how situations with regard to the balance of payments can be improved, we need to extend our analysis from that of closed-economy macroeconomics to open- economy macroeconomics.

140 8.3 Open-Economy Macroeconomic Identities The term open-economy macroeconomics reflects an attempt to integrate closed- economy macroeconomic problems with those arising out of foreign trade and payments. The key macroeconomic difference between open and closed economies is the fact that, in an open economy, a

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country's spending in any given year need not" equal its output of goods and services. A country can spend more than it produces by borrowing from abroad, or it can spend less than it produces and lend the difference to foreigners.

In a closed economy, all output is sold domestically, and expenditure is divided into three components : consumption of domestic goods and services (C_d), investment with domestic goods and services (I_d), and government purchases of domestic goods and services (G_d). Hence, for a closed economy, the national income identity is given by $Y = C_d + I_d + G_d$ (8.1) where Y stands for domestic output. But in an open economy, the economy exports part of its output. Hence, for an open economy, the national income identity becomes $Y = C_d + I_d + G_d + X$ (8.2) where X is domestic output exported abroad. But in an open economy, consumers consume goods and services which may be produced abroad. Similarly, the government and producers may purchase goods and services which may include those produced abroad: Thus, if C, I and G stand for total: consumption, investment and government purchases, we can write $C = C_d + C_f$ (8.3) $G = G_d + G_f$ where the superscripts d and f indicate domestic and foreign goods and services respectively By substituting (8.3) in (8.2) we have $Y = (C - C_f) + (I - I_f) + (G - G_f) + X$ or, $Y = C + I + G + X - (C_f + I_f + G_f)$ (8.4) The sum of domestic spending on foreign on foreign goods and services ($C_f + I_f + G_f$) is expenditure on imports (M). Thus, we can write the national income identity for

141 an open economy given in (8.2) as $Y = C + I + G + X - M$ or, $Y = C + I + G + NX$ (8.5) where NX stands for net exports, defined as exports minus imports ($NX = X - M$). The identity (8.5) shows how the domestic economy is related with the rest of the world. In particular, $NX = Y - (C + I + G)$ Net exports = Output - Domestic Spending (8.6) The identity (8.6) shows that in an open economy, domestic spending need not equal output of goods and services. If output exceeds domestic spending, the home economy exports the difference : net exports are positive. If, on the other hand, output falls short of domestic spending, the home economy imports the difference : net exports are negative. 8.3.1. Open-Economy Macroeconomic Problems So far the discussion of the open economy has proceeded on the basis of accounting identities. Identities take account of things which have happened, but they do not try to explain why they have happened to be what they are. In order to do this, we need to explain the behaviour of the variables involved. In (8.6) net exports (NX) has been defined as exports minus imports, or, $NX = X - M$ (8.7) Now, a country's exports depends primarily on foreign income (Y_f) and the country's real exchange rate (R). Hence, we can write $X = X(Y_f, R)$ (8.8) In (8.8) Y_f stands for the affluence of foreigners and R stands for the home country's competitiveness in the international market. The real exchange rate is the ratio of prices abroad, measured in home currency, relative to prices at home. Hence, it is given by $R = P/P_f$ (8.10) where P and P_f are home and foreign prices respectively, and e is the home currency price of foreign exchange. A rise in R indicates a real depreciation of home currency and implies that goods abroad become more expensive relative to domestic goods. As Y_f and R rise, exports increase.

142 If we now look at imports of a country, we see that it depends on domestic income (Y) and also on the real exchange rate (R). Hence, M is a function of Y and R given by $M = M(Y, R)$ (8.10) As R in (8.10) increases M falls and as Y rises M rises. Substituting (8.8) and (8.10) in (8.7) we get $NX = X(Y_f, R) - M(Y, R) = NX(Y, Y_f, R)$ (8.11) From (8.11) we can say that an increase in our income, other things remaining the same, increases our imports and worsens our trade balance. To have trade balance equilibrium ($NX = 0$), domestic prices would have to be lower, which will increase R . This would make the home country more competitive, raise exports, and reduce imports. Thus, the trade balance equilibrium schedule ($NX = 0$) is downward-sloping. In Fig. 8.1 the schedule is drawn for a given level of foreign prices (P_f). Fig. 8.1 Domestic equilibrium is achieved at point E,

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where the aggregate demand curve AD intersects the aggregate supply curve AS. The

AD curve is drawn for a given level of foreign prices, a given nominal supply of money, given fiscal policy and a fixed exchange rate e .

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An increase in the nominal money stock shifts the AD schedule

upward, as does an expansionary fiscal policy. Internal equilibrium at E (Fig. 8.1) falls short of the full-employment level of output (Y^*). Moreover, at E the home country has a trade deficit, which implies that our prices are too high or our income too high to have exports balance imports. Policy Dilemma The equilibrium at point E highlights a policy dilemma that a country may face. In order

143 to understand the nature of this problem, let us note that internal balance obtains when output is at full employment level (Y^*), and external balance occurs when the trade balance is zero ($NX = 0$). So with the $NX = 0$ line and the vertical line Y^* , we divide the possible situations into four regions as in Fig. 8.2, corresponding to booms and recessions, surpluses and deficits. Regions I and III do not present problems : corrective policies bring us closer to both internal and external balance. In region I, for example, we have unemployment and surplus. Expansionary fiscal policy would reduce both unemployment and the surplus. Similarly, in region III a contractionary monetary or fiscal policy will help correct the problem of over employment and external deficit. But in regions II and IV there is a policy dilemma in the sense that policies to improve the external balance will worsen internal balance. Take, for example, the point A in region II where the economy is in a position of recession and deficit. Here we have to choose whether we want to use tight policies to achieve trade balance equilibrium or expansionary policies to achieve full employment. Not only are we unable to reach both targets simultaneously by manipulating aggregate demand, but any attempt to reach one target gets us further away from the other. Such a situation, as we have already pointed out, is called a policy dilemma, and it can always arise when there are more targets of policy than instruments with which to move the economy toward its targets. In our case we have only one policy instrument-aggregate demand policies-but we have two independent targets-external and internal balance. Fig. 8.2

144 8.4 Open-Economy Macroeconomic Policies To solve macroeconomic problems in an open economy, particularly when there is a policy dilemma, it is necessary to combine both expenditure-switching policies and expenditure-reducing or expenditure-increasing policies. Expenditure switching policies aim at shifting demand between domestic and imported goods. Imposition of tariffs is one example of an expenditure-switching policy, which by raising prices of imported goods, shifts demand from imported goods to domestic goods through the substitution effect. Expenditure-reducing or expenditure-increasing policies, on the other hand, aim at improving the trade balance by operating on the total expenditure within the economy. For example, if there is a trade deficit, we know from the identity (8.6) that domestic spending exceeds output, so that net exports (NX) is negative. Expenditure-reducing policies aim at reducing expenditure by domestic residents and the government (C + I + G). As a result NX given by $NX = Y - (C + I + G)$ (8.6) will improve. Devaluation Expenditure-reducing policies or adjustments through recession are often accompanied by retrenchment of labour. On the other hand, use of tariffs clashes with the principle of free trade. The major alternative policy instrument for dealing with payments deficits in a dilemma situation is devaluation, that is, an official increase in the currency price of foreign exchange. Under the floating!

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exchange rate system the value of a currency in relation to other currencies

may fall through the operation of demand and supply forces in the foreign exchange market. Such a market reduction of the value of a currency is called depreciation of the currency. Devaluation is official depreciation of a currency which occurs only under fixed exchange rates. Devaluation is primarily an expenditure-switching policy. It increases the relative prices of imported goods in the devolving country and reduces the relative prices of exports from the devolving country, As a result, the balance of payments position of the devaluing country is likely to improve. But, whether or not a devaluation will be able to achieve the desired objectives depends upon what happens to the real exchange rate $145 \text{ t e P R P ? ? = ? ? ? ?}$ Devolnation implies that the price of foreign currencies, e , rises. But, assuming that foreign prices, P_f , remains the same, domestic prices, P , may rise because the prices of imported inputs rise because of devaluation. Moreover, it can be shown that a devaluation will improve the current account of the devaluing country only if the sum of elasticities of domestic and foreign demands for imports is greater than unity. Interest Rate Policy Another policy, which a country facing a policy dilemma can follow, is based on the notion of the overall balance of payments and international capital mobility. The overall balance of payments consists of current account and capital account, and the balance of payments surplus (BP) can be given by the sum of the trade surplus (NX) which can be taken as equivalent to the current account surplus and the capital account surplus (CF) as follows $BP = NX(Y, Y_f, R) + CF(i - i_f)$ (8.12) In equation (8.12) we have shown that the trade balance is a function of domestic and foreign incomes and the real exchange rate. Any policy to increase income is likely to worsen the trade balance, foreign income and the real exchange rate remaining the same. The capital account depends on the interest rate differential between the domestic interest rate (i) and the world interest rate (i_f) An increase in the domestic interest rate above the world level draws capital inflows and thus improves the capital account. Since international capital is highly mobile, it follows that when income increases, even the tiniest increase in interest rates is enough to maintain an overall balance of payments equilibrium. The trade deficit would be financed by a capital inflow. The implication of perfect capital mobility is that a country suffering from recession or unemployment can afford to increase its domestic income and import spending, provided the increases are accompanied by an increase in interest rates so as to attract capital inflow. These twin objectives can be achieved by using fiscal policy to increase aggregate demand to the full-employment level and monetary policy to get the right amount of capital flows.

146 8.4.1. The Fixed Exchange Rate System In the later nineteenth century, in part of the period between the two world wars, and after world war II until 1973, exchange rates among currencies were fixed. The Bretton Woods system that operated from the end of World war II to 1973 and the gold standard of the nineteenth and the first third of the twentieth century were examples of fixed exchange rate systems. Under the gold standard each nation defined the gold content of its currency and passively stood ready to buy or sell any amount of gold at that price. Since the gold content in one unit of each currency was fixed, exchange rates were also fixed. The gold standard worked with considerable stability during the period from 1880 to 1914. But, even in the nineteenth century, governments went on and off the gold standard, back and forth between pegged and flexible exchange rates. With the outbreak of World War I, the classical gold standard came to an end. The interwar period saw wide fluctuations in the exchange rates, economic instability and competitive devaluations. The prevalence of destabilizing speculations and the instability of flexible exchange rates convinced many economists of the desirability of the fixed exchange rates and, so, at the end of World War II, the Bretton Woods system was established. Under this system the United States was to maintain the price of gold fixed at \$35 per ounce and be ready to exchange on demand dollars for gold at that price without restrictions or limitations. Other nations were to fix the price of their currency in terms of dollars (and thus implicitly in terms of gold) and intervene in foreign exchange markets to keep exchange rates from moving by more than 1 percent above or below the par value. Within the allowed band of fluctuations, the

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exchange rate was determined by the forces of demand and supply. Under the

Bretton Woods system from 1945 to 1949 the United States ran huge balance of payments surpluses with Europe and extended Marshall Plan aid to European reconstruction. With European recovery more or less complete by 1950, the U.S. balance of payments turned into deficits. Up to 1957, U.S. deficits were rather small, averaging about \$1 billion each year. But starting in 1958, U.S. balance of payments deficits increased sharply to an average \$3 billion per year. As the U.S. deficits persisted and rose over time, U.S. gold reserves declined while foreign-held dollar reserves grew to the point where in the early 1960s they began to exceed the U.S. gold reserves. In the late 1960s and early 1970s expectations ran high that the United States would soon devalue the dollar in the face of huge balance of payments deficits, and a massive flight of liquid capital from

147 the United States took place. President Nixon suspended the convertibility of the dollar into gold on August 15, 1971 and imposed a temporary import surcharge of 10 percent. When expectations against the dollar flared up again in March 1973, monetary authorities in the major industrial nations decided to let their currencies float either independently or jointly. The present managed floating exchange rate system was born. And the drastic oil-price increases of 1973-74 dashed all hopes of resurrection of the system of adjustable pegs under the Bretton Woods system. It collapsed. 8.4.2. The Floating Exchange Rate System As pointed out above since the last two decades of the twentieth century capital has become highly mobile, largely because international controls were lifted, but also because of improved communications technology. This new capital mobility has made adjustable peg regimes extremely vulnerable to speculations, since capital would flee a currency on the slightest hint that it might be devalued. An expected devaluation lowers the expected rate of interest. On the other hand, devaluation increases the stock of high-powered money and, hence, the stock of money which leads to a reduction in the rate of interest. Any expectation that the interest rate may fall will lead to capital outflow. Hence, we have the Mundell-Fleming theory postulates. The Mundell-Fleming Postulate Under

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fixed exchange rates and perfect capital mobility, a country cannot

pursue an independent monetary policy. Interest rates

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cannot move out of line with those prevailing in the world market. Any attempt at independent monetary policy leads to capital flows and a need to intervene until interests are back in line with those of the world market.

Indeed, the arguments against fixed exchange rates and in favour of floating exchange rates during the last years of the Bretton Woods system rested on three major claims: 1. Monetary policy autonomy. If central banks were no longer obliged to intervene in currency markets to fix exchange rates, governments would be able to use monetary policy to reach internal and external balance. Furthermore, no country would be forced to import inflation (or deflation) from abroad. 2. Symmetry. Under a system of floating rates the inherent asymmetries of Bretton Woods would disappear and the United States would no longer be able to set world monetary conditions all by itself. At the same time, the United States would have the

148 same opportunity as other countries to influence its exchange rate against foreign currencies. 3. Exchange rates as automatic stabilizers. Even in the absence of an active monetary policy, the swift adjustment of market-determined exchange rates would help countries maintain internal and external balance in the face of changes in aggregate demand. The long and agonizing periods of speculation preceding exchange rate realignments under the Bretton Woods rules would not occur under floating. In a system of clean floating central banks stand aside completely and allow exchange rates to be freely determined in the foreign exchange markets. As a result, the economy has an inherent tendency to move towards a position of internal and external balance. This can be discussed with reference to Fig. 8.3 in which full employment is shown by the vertical line Y^* . When output is greater than full-employment output, prices would rise and there would be inflation, and when output is less than full-employment output, prices would fall and there would be deflation. The assumption of perfect international capital mobility is reflected in the horizontal BB line at the international interest rate i_w . Only if the domestic interest rate (i) is equal to the world interest rate (i_w), the balance of payments will be in equilibrium. If the interest rate were higher, there would be net inflows of capital, backing to appreciation of the currency. Conversely with a lower domestic interest rate, capital would flow out and a depreciation would take place. Fig. 8.3 In this scenario the working of the monetary and fiscal policies can be depicted in Fig. 8.4. Since we would need to argue in terms of the rate of interest and income, we would use IS and LM curves rather than AD and AS curves. Suppose that the economy is initially at a position of full-employment equilibrium at E , where the goods and the money 149 markets and the balance of payments are also in equilibrium. Fig. 8.4 A monetary expansion, now, shifts the LM schedule to LM' . A temporary equilibrium is achieved at E' , where the market rate of interest falls below the world rate. The exchange rate immediately depreciates raising home competitiveness which shifts the IS schedule to IS' . The economy moves rapidly from E via E' to E'' . But at E'' , output is above the full-employment level. Prices would rise and real balances would fall. As the real money stock, M/P declines, the LM schedule starts shifting to the left. Interest rates tend to rise, capital tends to flow in, and the resulting appreciation leads now to a decline in competitiveness which also shifts the IS' schedule back toward the initial equilibrium. Both the IS and the LM schedules thus move back toward point E , and the process continues until point E is reached. At point E , interest rates have returned to their initial level and so have relative prices, $-y-$. Thus, in the long run money is completely neutral. Nominal money, prices, and the exchange rates all have increased in the same proportion, so that the real money stock and relative prices are unchanged. 8.5 Purchasing Power Parity (PPP) Theory Gustav Cassel, who was trying to define equilibrium exchange rates after World War I, came to the view that exchange rate between two countries would be in equilibrium when the currencies of those countries can buy the same bundles of goods and services. This is known as the law of one price, which states that within a country the same good

150 cannot sell for different prices in different locations at the same time. If there is any discrepancy in prices within a country arbitrageurs would increase the demand where the price is low and increase the supply where the price is high. This would eventually equalize the prices. The same thing will happen in international markets if international arbitrage is possible. Thus, each currency would have the same purchasing power in different countries, and changes in exchange rates are primarily due to changes in the price levels between countries so as to maintain the terms of trade constant. The theory, in effect, argues that exchange rate movements primarily reflect divergent rates of inflation. Thus, when P_f and / or P change, e changes such a way as to maintain the terms of trade, $f e P / P_f$ constant. It is to be noted that the PPP theory depends critically on the assumption of perfect competition and perfect mobility which do not usually prevail. Moreover, the theory might be quite plausible in the long run. But in the short run exchange rates move quite rapidly relative to prices; so in the short run we should not at all be surprised to see substantial deviations of exchange rates from the rates implied by the PPP theory. The theory is a good predictor of the behavior of the exchange rate over periods when disturbances are caused by monetary factors only, such as in hyperinflation. But in the short run, monetary disturbances are not neutral, and even in the long run the exchange rate can change as a result of real disturbances.

8.6 Should Governments Intervene? In Section 8.4 we saw that exchange rates often act as stabilizers and move to bring about internal and external balance. Such an hypothesis depends on the assumption that there is perfect competition in all the markets and that capital is perfectly mobile. But in many less developed countries perfect competition does not prevail in many markets and capital markets are not well developed. The central banks of these countries often intervene in the foreign exchange market to meet the needs of planning for development. But even in the so-called developed countries central banks intervene to affect exchange rates for several reasons. Probably the main reason is the belief that money capital flows represent merely unstable expectations and that the induced movements in exchange rates move production in the economy in an unnecessarily erratic fashion. Moreover, exchange rate fluctuations have their effects on inflation. So central banks sometimes

151 intervene in the exchange market to prevent the exchange from depreciating, with the aim of preventing a depreciation-induced increase in the inflation rate. Now, the central bank intervention in the foreign exchange market can be of two types: sterilized and nonsterilized intervention. In the case of sterilized intervention a central bank buys foreign exchange, issuing domestic money. But then the increase in home money is reversed by an open market sale of securities. In the sterilized intervention case, therefore, the home money supply is kept unchanged. In the case of nonsterilization, by contrast, there is a change in the money stock equal to the amount of intervention. It is widely believed that nonsterilized intervention, because it changes the money supply, will affect exchange rates. But experiences do not support this belief and strongly suggest that nonsterilized intervention and intervention that is backed by credible policies are quite effective in achieving the desired objectives.

8.7 Exercises a. Objective Type Questions: 1. The balance of payments of a country indicates- (a) the amount of payments made by a country to other countries. (b) the amount of payments made by other countries to this country. (c) the

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economic transactions of the residents of this country with the rest of the world. (

d) none of the above. 2. If national income increases, trade balance deteriorates because- (a) exports fall; (b) imports rise; (c) the exchange rate rises; (d) none of the above. 3. A policy dilemma arises when- (a) there is boom and deficit; 152 (b) there is boom and surplus; (c) there is recession and surplus; (d) none of the above. 4. Select the correct ones- (a) A tariff in an expenditure switching policy. (b) A tariff is an expenditure reducing policy; (c) Reducing government expenditure is an expenditure-reducing policy; (d) A Devaluation is an expenditure-reducing policy. b. Short-answer Type Questions: 5. Why do the balance of payments accounts always balance? 6. Analyze the effects of an autonomous fall in the demand for a country's exports under fixed and flexible exchange rate systems. In each case indicate the effects on the country's balance of payments and on the exchange rate. 7. If central banks never intervened in foreign exchange markets, could there be deficits or surpluses in a country's balance of payments? 8. Taking account of the effect of both the trade balance and the capital account,

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explain the relationships between balance of payments equilibrium and both expansionary monetary and fiscal policies within a fixed exchange rate system.

c. Long-answer Type Questions : 9. Assume that capital is perfectly mobile, the price level is fixed, and the exchange rate is flexible. Now let the government increase purchases. Explain first why the equilibrium levels of output and the interest rate are unaffected. Then show whether the current account improves or worsens as a result of the increased government purchases of goods and services. 10. Assume that there is perfect mobility of capital. How does the imposition of a tariff affect the exchange rate, output, and the current account? (Hint : Given the exchange rate, the tariff reduces our demand for imports). 11. Explain how and why monetary policy retains its effectiveness when there is perfect 153 mobility

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of capital. 12. Discuss the manner in which income, price adjustments, and money supply adjustments interact in leading

the economy ultimately to full employment and external balance. 8.8 References | Rudiger Dornbusch and Stanley Fischer, Macroeconomics, Fifth Edition, 1990. | Paul R. Krugman and Maurice Obstfeld, International Economics : Theory and Policy, Fifth Edition, 2000. | Dominick Salvatore, International Economics, Seventh Edition, 2002.

154 Unit 9 q The Economy in the Long Run Structure 9.0 Objectives 9.1 Introduction 9.2 The Harrod-Domar Growth Model 9.3 The Solow Model 9.4 Technical Progress and Economic Development 9.5 Exercises 9.6 References 9.0 Objectives This unit will help you to understand | The long-run views of different schools of thought | The Harrod-Domar Growth Equation | The Solow Model | The role of technical progress in economic growth and development. 9.1 Introduction Ever since the time of the mercantilist-the middle of the fifteenth century to the middle of the eighteenth century-long-run prospects of the economy and how they can be improved have attracted the attention of economists. The mercantilists thought that a favorable balance of trade is productive of national prosperity and, so, they emphasized the importance of positive intervention by the state to achieve this end. The mercantilists were thus advocates of active and protectionist policies on the part of the state: The French physiocrats of the late seventeenth and eighteenth centuries, by contrast, emphasized the importance of natural law which, they thought, ultimately ruled economic and social behaviour. Thus, they maintained that the guiding rule in legislation and in 155 government in general should be laissez faire, laissez passer. The principle was a rallying cry against government intervention in any form for any social purpose. Moreover, in contrast to the mercantilist emphasis on trade, physiocrats emphasized the role of agriculture, which was the source of product net or net product. All wealth, according to them, originated in agriculture, none in any other industry, trade or occupation. The classical economists, particularly Adam Smith (1723-1790), shared the physiocratic view of natural law. He maintained that the "invisible hand" of the price system operated to the welfare of all. Adam Smith's followers, the so-called classical economists, thought that the economy, if left to itself, would develop from a progressive state into a stationary one in the long run. The progressive state is characterized by a high level of investment (accumulation) which generally serves to increase total production but which also tends to keep up wages. This leads to increasing population. But, since the total amount of land is fixed, as more and more persons are employed; there are diminishing average returns to additional labour in production. With increasing population on the one hand and diminishing returns on the other, wages tend to eat up the total product after the payment of rent. Reduced profitability discourages investment and a point is reached when the inducement to invest disappears and the stationary state is attained. Such a portrayal of economic development by the classical economists was based on Malthus's theory of population which, in the eyes of many persons, made economics a "dismal" science. But it is often maintained that the classical economists did not fully appreciate the significance of the Industrial Revolution which had been going on since the middle of the eighteenth century. They were, however, able to incorporate all the important ingredients of economic change into one concept, which was later called by the neoclassical economists the concept of the production function. It was thought that production of output (Y) was dependent on the amounts of land (L), labour (N), capital (K) and organization (Or) utilized. So the production function can be written as $Y = F(L, N, K, Or)$ (9.1) Since capital is more productive and the labour force goes on increasing output increases, of course, at a diminishing rate, as mentioned above. And, intruding their own good, men are led by "an invisible hand" to further social ends. But Karl Marx (1818-1883) thought that the capitalist economy entrenched by the Industrial Revolution catered to the benefits of the capitalists at the cost of the working

156 class, the proletariat. According to him, the capitalist economy was doomed to be destroyed with ever-increasing ups and downs of the business cycle, and was to be replaced by the "dictatorship of the proletariat". The Great Depression of the 1930s with GNP and employment falling by unprecedented amounts foreboded the Marxian forecast of the eventual downfall of the capitalist system. But Keynesian economics effectively provided the analytical framework for government intervention in the economy to tackle the problems of economic depression through the adoption of demand management policies, particularly fiscal policies. Friedman and Schwatz, however, pointed out that the severity of the Great Depression could have been reduced if the central banks in different countries had acted promptly and correctly. Any way, with the evolution of monetary and fiscal policies, the governments can now tackle business cycle fluctuations quite effectively. In Units 6 and 7 we have discussed how the more persistent problems of inflation and unemployment are tackled. The attention of economists is now focused on the twin problems of growth and economic development. The two problems are related with one another. But, while the problems of economic development typically concern less developed economies, the problems of economic growth are the concern of the so-called developed economies.

9.2 The Harrod-Domar Growth Model The Harrod-Demar growth model is associated with the names of R. F. Harrod and Evsey Domar. They wrote contemporaneously and arrived at more or less the same result regarding growth. Modern theories of economic growth can be said to have begun with the Harrod-Demar growth model. The model is based on several simplifying assumptions. It is assumed that (1) a constant proportion (s) of income Y is saved; (2) there are fixed coefficients of production,

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that is, the amounts of capital and labour needed to produce one unit of output are

both uniquely given; and (3) the labour force grows over time at a constant rate n , fixed by noneconomic, demographic forces. Now, since labour requirements per unit of output are given, it is impossible for Y permanently to grow at a constant rate greater than n , the rate of growth of the labour supply, which Harrod called the natural rate of growth. Hence, if there is to be steady growth in Y we must have $g \leq n$

157 where g is the rate of growth of Y . If $g > n$, then there will be increasing unemployment over time. If we make the further assumption that the labour market works in such a way that increasing unemployment would be incompatible with equilibrium, the necessary condition for steady growth becomes $g = n$ (9.2) On the other hand, since the amount of capital per unit of output is a constant, by assumption, we have $Y = kK$ (9.3) where k is a constant. From (9.3) we have $\log Y = \log k + \log K$ or, $1 \frac{dY}{Y} = \frac{dK}{K}$ or, $1 \frac{g_Y}{Y} = \frac{g_K}{K}$ (9.4) where g_Y is the warranted rate of growth and $\frac{dK}{K}$ stands for investment = $(s) \frac{dK}{dt} = \frac{dK}{K}$. The equation (9.4) says that producers will be satisfied if the rate of growth (g_Y) is equal to $\frac{dK}{K}$. But, for equilibrium we must also have that the amount people plan to save must equal the amount they plan to invest. Hence, from equation (9.4) we have $1 \frac{dY}{Y} = s \frac{dK}{K} = s \frac{g_K}{K} = s \frac{g_Y}{Y}$ (9.5) where s is proportion of income saved, v is capital-output ratio and $\frac{dK}{K} = S$. Thus we see that, on the assumptions made, steady growth requires both $g = n$, equation (9.2), and $g = s v$, equation (9.5), so that $n = s v$ Since n , s and v are all independently determined, this will be possible only in a special case. This is the well-known Harrod-Domar problem, which led the authors to

158 conclude that in general full-employment steady growth would not be possible. Commenting on the characteristic of the Harrod-Domar model R.M. Solow points out that on the Harrod-Damar assumptions the economic system is at best balanced on a Knife-edge of equilibrium growth. Were the magnitudes of the key parameters-

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the savings ratio, the capital-output ratio, the rate of increase in the labour force-

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slightly from dead centre, the consequence would be either growing unemployment or prolonged inflation. In Harrod's

terms the critical question of balance bails down to a comparison between the natural rate of growth

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which depends, in the absence of technological change, on the increase of the labour force,

and the warranted rate of growth which depends on the saving and investing habits of bond-holder and firms. Prof. Samuelson has collected six basic trends of economic development and he thinks that the Harrod-Domar growth model can account for all six of the basic trends. As the model became quite fashionable, an "essentially simple variant" of the model was used in India's First Five-Year Plan document. Yet the predictions of the model as regards economic stability have certainly not been borne out by facts. Much of subsequent work on growth has stemmed from efforts to explain the possibility of steady growth. One such important effort was made by R.M. Solow.

9.3 The Solow Model In the Harrod-Domar model there is no possibility of substituting labour for capital in production. According to Solow, if this assumption is abandoned, the knife-edge notion of unstable balance would go with it. Solow starts with a linear homogeneous production function (obeying constant returns to scale) in capital (K) and labour (L) : $Y = F(K, L)$ (9.6) where Y is the rate of output produced. A fraction s of this output is saved which, in equilibrium, must equal net investment or the rate of change in the capital stock, dK/dt or \dot{K} . So the basic equation is given by $sY = \dot{K}$ (9.7) If the labour force grows at the rate n, we have $L(t) = L_0 e^{nt}$ (9.8) If, now, r stands for the capital-output ratio T then $K = rL = rL_0 e^{nt}$ (9.9) Differentiating (9.9) with respect to time, we get $\dot{K} = n r L_0 e^{nt} = n K$ (9.10) Substituting (9.7) in (9.10), we get $n K = s F(K, L) e^{nt} = s F(K, L) e^{nt} = s F(K, L) e^{nt}$ (9.11) The function $F(r, 1)$ appearing in (9.11) indicates the total product as varying amounts r or capital are employed with one unit of labour. Alternatively, it gives

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output per worker as a function of capital per worker.

Hence,

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the equation (9.11) states that the rate of change of capital-labour ratio (G) is the difference of two terms, one representing the increment of capital and one the increment of labour.

Fig. 9.1

160 In Fig. 9.1 the ray through the origin with slope n represents

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the function nr. The other curve is the function sF(r, 1). The curve is drawn to

pass through the origin and convex upward, implying that there would be no output unless both inputs are positive, and diminishing marginal productivity of capital obtains as would be the case with the Cobb-Douglas production function. If $r = r^*$, $\dot{r} = 0$ since $\dot{r} = sF(r, 1) - nr$ and, hence, capital-labour ratio will not change. This implies that if the capital-labour ratio r^* should ever be

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established, it will be maintained, and capital and labour will grow thence forward in proportion.

Solow also shows that

whatever the initial value of the capital-output ratio, the system will develop toward a state of balanced growth at the natural rate. 9.4

Technological Development Progress and Economic The Solow model shows that population growth as such need not pose any basic problem to economic growth, and economic growth in equilibrium would converge to the population growth rate so that output per worker remains the same. But output per head has continued to increase over the years in all developed countries. Moreover, on the basis of his own studies dealing with the period from 1909 to 1949 in the United States. Solow points out that over 80 percent of the growth in output per labour over that period was due to technical progress. Solow's model could not account for this technical progress which is an exogenous factor in that model. On the other hand, economic development in the developing countries like India can hardly be explained in terms of the Solow model. In many developing countries, economic development has been associated with increasing unemployment, and population growth has been governed by a variety of socioeconomic conditions. Now, since the rate of growth depends on the rate of net investment over and above replacement investment, a different formulation of the Harrod-Domar growth model may help us to understand the process of economic growth in both the developed and the less developed countries in a better way. We all know that macroeconomic equilibrium requires equality between saving and investment. In a stationary state net investment is zero and saving is equal to the total amount of replacement investment. From a stationary state growth may start because of net investment. Thus, if total investment rises over the amount of replacement investment, the rise in investment is equal to net investment. And, since for dynamic equilibrium we need to have $S \Delta = \Delta$, the growth equation can be written as $Y K \Delta = S Y K \Delta$. Δ is the incremental output-capital ratio whose value depends upon the degree of technical progress incorporated in the new capital equipment. $K \Delta$ stands for the increment in capital formation per unit of net investment. Its value depends on how investment is utilized for capital formation. Capital formation depends on various socioeconomic conditions. If a society decides to invest in building, temples and mosques, net capital formation would be smaller. Moreover, if the society is sluggish to incorporate new technology, marginal output capital ratio would be smaller. $S \Delta$ is the growth rate of saving and $S Y$ is the average rate of saving. It is to be noted that in the Harrod-Domar model, the value of the growth rate given in equation (9.5) can hardly be zero or negative, since both the rate of saving (s) and the capital-output ratio (v) are positive. But in (9.12) growth rate can be zero or negative depending upon the value of the growth rate of saving. The relation (9.12) can be used for policy measures. In a developed economy where most of investment is privately undertaken, the government can hardly influence $Y K \Delta$ and $K \Delta$ but it can take measures to influence the growth rate of saving ($S \Delta$). On the other hand, the government in a less developed economy, undertaking developmental planning, can incorporate new technology in the investments made by the public sector. Moreover, it can take measures to increase the rate of saving and the rate of capital formation. Thus, whether it is a developed country or not, the government will have enough scope for augmenting economic growth.

9.5 Exercises a. Objective Type Questions : 1. The mercantilists thought that for economic development- (a) exports should be high; (b) imports should be high; (c) exports should exceed imports; (d) none of the above. 2. According to the physiocrats, the source of all wealth is- (a) agriculture; (b) trade; (c) manufacture; (d) none of the above. 3. In the Harrod-Domar growth model the rate of growth rises if (a) the capital-output ratio rises; (b) the average rate of saving rises; (c) both the capital-output ratio and, the average rate of saving rise; (d) none of the above. 4. In the Solow model; the rate of growth rises if- (a) the population growth rate rises; (b) the capital output ratio rises; (c) the rate of saving rises; (d) all of the above.

163 b. Short-answer Type Questions 5. Which of the following government activities have effects on the long-term growth rate? Explain how they can do so. (a) Monetary policy, (b) labour market policies, (c) educational and research policies, (d) fiscal policy, (e) population central programmes. 6. Discuss the role of government policy in raising (a) the supply of labour and (b) the supply of capital. How successful can such policies be? 7. Since 1973, the growth rate of productivity has sharply declined in most industrialized countries. List several of the factors that are responsible for this decline and discuss why the decline in productivity growth is an important issue. 8. Suppose that the share of capital in income is 0.4 and the share of labour is 0.6. Capital grows by 6 percent, and labour declines by 2 percent. What happens to output? c. Long-answer Type Questions : 9. Explain why, in the solow model, with exogenous technological change, the long-run equilibrium rate of growth in output is independent of the saving rate 10. An earthquake destroy one quarter of the capital stock. Discuss the impact on the economy. What happens to the growth rate? 11. (a) In the absence of technical progress, what happens to output per head and total output over time? Why? (b) What is the long-term effect of the saving rate on the level of output per capita? On growth of output per capita? 12. Discuss the statement "The lower the level of income, the higher the growth rate of output."

164 9.6 References | John Kenneth Galbraith, A History of Economies; The Past and the Present, 1987. | William J. Banmol, Economic Dynamics, Second Editions, 1959. | Amartya Sen (ed.), Growth economies, Readings (Penguin Modern Economies), 1970. | Rudigar Dornbusch and Stanby Fischer, Macroeconomics, Fifth Edition, 1990. | Suhas Chandra Chakraborty, Towards a Reformulation of the Harrod Damar Growth Equation, The Indian Economic Journal, Volume No. 43, No. 4, April-June, 1995-

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national income is the sum of all incomes earned by. all				
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National income is the sum of all factor earnings from current production of goods and services.		national income (NNI) , NNI is the sum of all factor earnings-wages, profits, and rent-from current production of goods and services.		
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final goods and services, and excludes intermediate goods which are used in the production of final commodities to avoid double counting.				
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national income is the sum of all factor earnings from current production of goods and services, to arrive at national income		national income (NNI) , NNI is the sum of all factor earnings-wages, profits, and rent-from current production of goods and services. To be precise, net national income		
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<p>is defined as the value of all final goods and services produced</p> <p>SA MEBE.pdf (D113066356)</p>				
7/117	SUBMITTED TEXT	28 WORDS	73% MATCHING TEXT	28 WORDS
<p>income earned from current 22 production of goods and services. For some purposes, however, it is useful to have a measure of income received by persons regardless of source.</p> <p>SA MBAFT-6203 Economic Environment of Business .pdf (D164622150)</p>				
8/117	SUBMITTED TEXT	18 WORDS	66% MATCHING TEXT	18 WORDS
<p>Modern macroeconomics can be said to have originated out of "the General Theory of Employment, Interest and Money"</p> <p>Modern macroeconomics can be said to have begun with Keynes and the publication of his The General Theory of Employment, Interest and Money</p> <p>W https://everything.explained.today/History_of_macroeconomic_thought/</p>				
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<p>which transactions in the economy are included in GDP. What</p> <p>SA MBAFT-6203 Economic Environment of Business .pdf (D164622150)</p>				
10/117	SUBMITTED TEXT	13 WORDS	75% MATCHING TEXT	13 WORDS
<p>macroeconomic theory. It is "an epoch-marking contribution to the tools of economic analysis"</p> <p>Macroeconomic Theory) 236 "Consumption function is an epoch making contribution to the tools of economic analysis." (340 6112</p> <p>W https://www.askokorpela.fi/Kindle/Book/Jhingan-Macro-all.htm</p>				
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<p>that "men are disposed, as a rule and on the 33 average, to increase their consumption as their income increases, but not by as much as the increase in their income".</p> <p>that men are disposed as a rule and on the average to increase their consumption as their income increases but not by as much as the increase in their income."</p> <p>W https://dammystv.com.ng/wp-content/uploads/2022/05/Macro-Economic-Theory-12th-edition-ML-Jhingan- ...</p>				

12/117	SUBMITTED TEXT	11 WORDS	100% MATCHING TEXT	11 WORDS
<p>consumption expenditure (C), investment expenditure (I), government expenditure (G), and net</p> <p>SA CU-BA-SEM-III-Economics-III-Second Draft-converted.pdf (D103493673)</p>				
13/117	SUBMITTED TEXT	19 WORDS	92% MATCHING TEXT	19 WORDS
<p>Define the terms personal income and personal disposable income. Conceptually how do these income measures differ from national income?</p> <p>SA MBAFT-6203 Economic Environment of Business .pdf (D164622150)</p>				
14/117	SUBMITTED TEXT	28 WORDS	66% MATCHING TEXT	28 WORDS
<p>The marginal propensity to consume is positive, but less than one. 37 (3) The marginal propensity to consume is less than the average pro-pensity to consume (which means that</p> <p>the marginal propensity to consume is less than one. also argued the marginal propensity to consume is less than the average propensity to consume, which implies that</p> <p>W https://studyres.com/doc/14393036/m.a.-final-economics</p>				
15/117	SUBMITTED TEXT	19 WORDS	64% MATCHING TEXT	19 WORDS
<p>the value of the multiplier is 4 and if mpc is 9 10 , then the value of the multiplier is 10.</p> <p>SA Sambalpur-BBA-SEM-III-Macroeconomics.pdf (D156210285)</p>				
16/117	SUBMITTED TEXT	11 WORDS	100% MATCHING TEXT	11 WORDS
<p>period t is a function of income of the previous period (</p> <p>period t is a function of income of the previous period.</p> <p>W https://dammystv.com.ng/wp-content/uploads/2022/05/Macro-Economic-Theory-12th-edition-ML-Jhingan- ...</p>				
17/117	SUBMITTED TEXT	32 WORDS	31% MATCHING TEXT	32 WORDS
<p>propensity to consume, which is a measure the of rate at total income which / is spent on consumption, marginal propensity to consume as a measure of the part of change in income</p> <p>SA CU-BA-SEM-III-Economics-III-Second Draft-converted.pdf (D103493673)</p>				

18/117	SUBMITTED TEXT	22 WORDS	52% MATCHING TEXT	22 WORDS
<p>the slope of the IS curve. A change in the value of the multiplier (m) changes the slope of the IS curve.</p> <p>SA Introductory Microeconomics.pdf (D110811121)</p>				
19/117	SUBMITTED TEXT	24 WORDS	43% MATCHING TEXT	24 WORDS
<p>the higher the value of b, the greater is the responsiveness of- investment to changes in the interest rate and the steeper is the</p> <p>SA Introductory Microeconomics.pdf (D110811121)</p>				
20/117	SUBMITTED TEXT	18 WORDS	60% MATCHING TEXT	18 WORDS
<p>the rate of interest is a "real phenomenon" and is determined by the demand for and the supply of</p> <p>the rate of interest, in the Keynesian sense, is determined by the demand for and the supply of</p> <p>W https://dammystv.com.ng/wp-content/uploads/2022/05/Macro-Economic-Theory-12th-edition-ML-Jhingan- ...</p>				
21/117	SUBMITTED TEXT	16 WORDS	67% MATCHING TEXT	16 WORDS
<p>the slope of the IS curve. 4.2.3. The IS Curve and the Goods Market Equilibrium The IS curve-</p> <p>SA Introductory Microeconomics.pdf (D110811121)</p>				
22/117	SUBMITTED TEXT	16 WORDS	81% MATCHING TEXT	16 WORDS
<p>The higher the rate of interest, the lower is the demand for investment, and vice versa.</p> <p>The higher the rate of interest, the lower the demand for money, and vice versa.</p> <p>W https://dammystv.com.ng/wp-content/uploads/2022/05/Macro-Economic-Theory-12th-edition-ML-Jhingan- ...</p>				
23/117	SUBMITTED TEXT	11 WORDS	100% MATCHING TEXT	11 WORDS
<p>the rate of interest. The higher the rate of interest, the</p> <p>the rate of interest. The higher the rate of interest, the</p> <p>W https://dammystv.com.ng/wp-content/uploads/2022/05/Macro-Economic-Theory-12th-edition-ML-Jhingan- ...</p>				
24/117	SUBMITTED TEXT	15 WORDS	78% MATCHING TEXT	15 WORDS
<p>In the classical system, the rate of interest is determined by the demand for</p> <p>In the Keynesian the rate of interest is determined by the demand for</p> <p>W https://dammystv.com.ng/wp-content/uploads/2022/05/Macro-Economic-Theory-12th-edition-ML-Jhingan- ...</p>				

25/117	SUBMITTED TEXT	16 WORDS	90% MATCHING TEXT	16 WORDS
<p>the transactions velocity of money and measures the rate at which money circulates in the economy,</p> <p>SA Introductory Microeconomics.pdf (D110811121)</p>				
26/117	SUBMITTED TEXT	31 WORDS	81% MATCHING TEXT	31 WORDS
<p>that, other things being equal, the demand for money in nominal terms would be proportional to the nominal level of income for each individual, and hence for the aggregate economy as well.</p> <p>that "other things being equal, the demand for money in normal terms would be proportional to the nominal level of income for each individual, and hence for the aggregate economy as well." 1.</p> <p>W https://dammystv.com.ng/wp-content/uploads/2022/05/Macro-Economic-Theory-12th-edition-ML-Jhingan- ...</p>				
27/117	SUBMITTED TEXT	21 WORDS	59% MATCHING TEXT	21 WORDS
<p>the amount of money exchanged in transactions. The classical theory of money is popularly known as the quantity theory of money.</p> <p>SA Macro Economics I.pdf (D138997544)</p>				
28/117	SUBMITTED TEXT	19 WORDS	70% MATCHING TEXT	19 WORDS
<p>change in M + percentage change in V = percentage change in P + Percentage change in Y</p> <p>SA Introductory Microeconomics.pdf (D110811121)</p>				
29/117	SUBMITTED TEXT	25 WORDS	52% MATCHING TEXT	25 WORDS
<p>The transactions demand for money arises from the use of money, which is a medium of exchange, in making regular payments for goods and services.</p> <p>The transactions demand for money arises from the medium of exchange function of money in making regular payments for goods and services.</p> <p>W https://dammystv.com.ng/wp-content/uploads/2022/05/Macro-Economic-Theory-12th-edition-ML-Jhingan- ...</p>				
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<p>would vary positively with the volume of his transactions. Income was assumed to be a good measure. of</p> <p>would vary positively with the volume of transactions (TD) and income was assumed to be a good measure of</p> <p>W https://studyres.com/doc/14393036/m.a.-final-economics</p>				

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<p>of the Demand for Money The Keynesian theory of the demand for money is a development of the Cambridge Version of the quantity theory of money,</p> <p>SA Macro Economics I.pdf (D138997544)</p>				
32/117	SUBMITTED TEXT	17 WORDS	100% MATCHING TEXT	17 WORDS
<p>he did not stress the role of the rate of interest in this part of his analysis,</p> <p>W https://dammystv.com.ng/wp-content/uploads/2022/05/Macro-Economic-Theory-12th-edition-ML-Jhingan- ...</p>				
33/117	SUBMITTED TEXT	20 WORDS	57% MATCHING TEXT	20 WORDS
<p>Demand for Money (M₂) The transactions and precautionary demands for money emphasize the medium-of-exchange function of money,</p> <p>W https://dammystv.com.ng/wp-content/uploads/2022/05/Macro-Economic-Theory-12th-edition-ML-Jhingan- ...</p>				
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<p>the speculative demand for money rises. Thus, the relationship between the rate of interest and the speculative demand for money (</p> <p>W https://dammystv.com.ng/wp-content/uploads/2022/05/Macro-Economic-Theory-12th-edition-ML-Jhingan- ...</p>				
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<p>when their prices are low and. selling them when their prices are</p> <p>SA Introductory Microeconomics.pdf (D110811121)</p>				
36/117	SUBMITTED TEXT	15 WORDS	89% MATCHING TEXT	15 WORDS
<p>by the demand for and the supply of money. Given the supply of money (</p> <p>SA 015E1120-Macro Economics.pdf (D165067732)</p>				

37/117	SUBMITTED TEXT	20 WORDS	55% MATCHING TEXT	20 WORDS
<p>the LM curve shows combinations of the rate of interest and income such that the money market is in equilibrium.</p> <p>SA Macro Economics I.pdf (D138997544)</p>				
38/117	SUBMITTED TEXT	38 WORDS	43% MATCHING TEXT	38 WORDS
<p>The larger the responsiveness of the transactions and precautionary demand for money to income, as measured' by α, and the lower the responsiveness of speculative demand for money to the rate of interest, γ, the steeper the LM curve</p> <p>The smaller the responsiveness of the demand for money to income, and the larger the responsiveness of the demand for money to the rate of interest, the flatter will be the LM curve.</p> <p>W https://dammystv.com.ng/wp-content/uploads/2022/05/Macro-Economic-Theory-12th-edition-ML-Jhingan- ...</p>				
39/117	SUBMITTED TEXT	16 WORDS	70% MATCHING TEXT	16 WORDS
<p>the equation of the LM curve. From the equation of the LM curve (4.8) we can</p> <p>SA Introductory Microeconomics.pdf (D110811121)</p>				
40/117	SUBMITTED TEXT	11 WORDS	100% MATCHING TEXT	11 WORDS
<p>open market operations. In an open market operation, the central bank</p> <p>SA Introductory Microeconomics.pdf (D110811121)</p>				
41/117	SUBMITTED TEXT	30 WORDS	40% MATCHING TEXT	30 WORDS
<p>the public be prepared to hold a larger faction of its given wealth in the form of money and a lower fraction in the form of bonds. As the rate of</p> <p>SA Introductory Microeconomics.pdf (D110811121)</p>				
42/117	SUBMITTED TEXT	13 WORDS	83% MATCHING TEXT	13 WORDS
<p>increase in the supply of money shifts the LM curve to the</p> <p>SA MACROECONOMIC THEORY II.docx (D126758218)</p>				

43/117	SUBMITTED TEXT	28 WORDS	81% MATCHING TEXT	28 WORDS
<p>the rate of interest falls from r_0 to r_1 and income increases from Y_0 to Y_1.</p> <p>SA Sambalpur-BBA-SEM-III-Macroeconomics.pdf (D156210285)</p>				
44/117	SUBMITTED TEXT	15 WORDS	70% MATCHING TEXT	15 WORDS
<p>the demand for money is totally insensitive to changes in the rate of interest and</p> <p>SA 015E1120-Macro Economics.pdf (D165067732)</p>				
45/117	SUBMITTED TEXT	35 WORDS	54% MATCHING TEXT	35 WORDS
<p>demand for money is infinitely elastic with respect to the rate of interest. A given change in the supply of money is absorbed in the money market with no change in the rate of interest. Hence, there</p> <p>SA Introductory Microeconomics.pdf (D110811121)</p>				
46/117	SUBMITTED TEXT	12 WORDS	87% MATCHING TEXT	12 WORDS
<p>raises the rate of interest. The rise in the rate of interest</p> <p>raises the market rate of interest. With the rise in the market rate of interest,</p> <p>W https://dammystv.com.ng/wp-content/uploads/2022/05/Macro-Economic-Theory-12th-edition-ML-Jhingan- ...</p>				
47/117	SUBMITTED TEXT	13 WORDS	83% MATCHING TEXT	13 WORDS
<p>increase in the supply of money shifts the LM curve to the</p> <p>SA MACROECONOMIC THEORY II.docx (D126758218)</p>				
48/117	SUBMITTED TEXT	29 WORDS	44% MATCHING TEXT	29 WORDS
<p>the government increases its spending (a) the IS curve shifts to the left; (b) the IS curve shifts to the right; (c) the LM curve</p> <p>the government increases its expenditure or/and reduces taxes. a result, the IS curve shifts upwards to the left the IS 1 curve which cuts the LM curve</p> <p>W https://dammystv.com.ng/wp-content/uploads/2022/05/Macro-Economic-Theory-12th-edition-ML-Jhingan- ...</p>				

49/117	SUBMITTED TEXT	20 WORDS	62% MATCHING TEXT	20 WORDS
<p>b) the IS curve shifts to the left; (c) the LM curve shifts to the right; (d) the LM curve</p>		<p>b. The IS curve would move down and to the left c. The IS curve would move up and to the right d. LM curve</p>		
<p>W https://quizlet.com/721991848/intermediate-macro-economics-exam-1-matias-vernengo-bucknell-fall-2 ...</p>				
50/117	SUBMITTED TEXT	13 WORDS	100% MATCHING TEXT	13 WORDS
<p>David E. W. Laidler, The Demand for Money : Theories and Evidence, 1977. (3)</p>		<p>David E.W. Laidler, The Demand for Money: Theories and Evidence, 1972,</p>		
<p>W https://dammystv.com.ng/wp-content/uploads/2022/05/Macro-Economic-Theory-12th-edition-ML-Jhingan- ...</p>				
51/117	SUBMITTED TEXT	14 WORDS	88% MATCHING TEXT	14 WORDS
<p>Demand for Money 5.3.1. Friedman's Restatement of the Quantity Theory of Money : the</p>		<p>demand for money is negligible. In Friedman's restatement of the quantity theory of money, the</p>		
<p>W https://dammystv.com.ng/wp-content/uploads/2022/05/Macro-Economic-Theory-12th-edition-ML-Jhingan- ...</p>				
52/117	SUBMITTED TEXT	17 WORDS	61% MATCHING TEXT	17 WORDS
<p>change in the price level changes, unlike the IS curve (5.1a), the position of the LM curve.</p>		<p>change in the price level does not shift the IS curve. In the case of the LM curve,</p>		
<p>W https://dammystv.com.ng/wp-content/uploads/2022/05/Macro-Economic-Theory-12th-edition-ML-Jhingan- ...</p>				
53/117	SUBMITTED TEXT	20 WORDS	88% MATCHING TEXT	20 WORDS
<p>government spending shifts the IS curve from IS 0 to IS 1 . At the initial</p>				
<p>SA 015E1120-Macro Economics.pdf (D165067732)</p>				
54/117	SUBMITTED TEXT	10 WORDS	100% MATCHING TEXT	10 WORDS
<p>Friedman's Restatement of the Quantity Theory of Money: the</p>		<p>Friedman's Restatement of the Quantity Theory of Money 28 The</p>		
<p>W https://dammystv.com.ng/wp-content/uploads/2022/05/Macro-Economic-Theory-12th-edition-ML-Jhingan- ...</p>				
55/117	SUBMITTED TEXT	19 WORDS	52% MATCHING TEXT	19 WORDS
<p>to changes in the rate of interest and, hence, the LM curve is quite flat. On the other hand,</p>				
<p>SA Sambalpur-BBA-SEM-III-Macroeconomics.pdf (D156210285)</p>				

56/117	SUBMITTED TEXT	17 WORDS	85% MATCHING TEXT	17 WORDS
<p>theory of money is "not a theory of output, or of money, or of the price level".</p>		<p>theory of the demand for money. It is not a theory of output, or of money income, or of the price level."</p>		
<p>W https://dammystv.com.ng/wp-content/uploads/2022/05/Macro-Economic-Theory-12th-edition-ML-Jhingan- ...</p>				
57/117	SUBMITTED TEXT	12 WORDS	100% MATCHING TEXT	12 WORDS
<p>is "in the first instance a theory of the demand for money"</p>		<p>is in the first instance a theory of the demand for money.</p>		
<p>W https://dammystv.com.ng/wp-content/uploads/2022/05/Macro-Economic-Theory-12th-edition-ML-Jhingan- ...</p>				
58/117	SUBMITTED TEXT	29 WORDS	35% MATCHING TEXT	29 WORDS
<p>responsiveness of the demand for money. 6. Show diagrammatically that the aggregate demand curve is. steeper, the smaller the multiplier and the larger the interest responsiveness of the demand for money. 7.</p>				
<p>SA Sambalpur-BBA-SEM-III-Macroeconomics.pdf (D156210285)</p>				
59/117	SUBMITTED TEXT	14 WORDS	100% MATCHING TEXT	14 WORDS
<p>stressed the optimizing tendencies of the free market in the absence of state control. .</p>				
<p>SA MACRO.docx (D143745356)</p>				
60/117	SUBMITTED TEXT	10 WORDS	100% MATCHING TEXT	10 WORDS
<p>is determined by the demand for and the supply of labour.</p>				
<p>SA Sambalpur-BBA-SEM-III-Macroeconomics.pdf (D156210285)</p>				
61/117	SUBMITTED TEXT	13 WORDS	96% MATCHING TEXT	13 WORDS
<p>In the short. run, output is varied solely by changing the labour input (</p>				
<p>SA MACRO.docx (D143745356)</p>				

62/117**SUBMITTED TEXT**

37 WORDS

84% MATCHING TEXT

37 WORDS

labour input. For the short run the stock of capital is assumed to be fixed, as indicated by the bar over K . The state of technology and population are also assumed to be constant over the period considered.

SA MACRO.docx (D143745356)**63/117****SUBMITTED TEXT**

26 WORDS

98% MATCHING TEXT

26 WORDS

The perfectly competitive firm will increase output until the marginal cost of producing a unit of output is equal to the marginal revenue received from its sale.

SA MACRO.docx (D143745356)**64/117****SUBMITTED TEXT**

40 WORDS

75% MATCHING TEXT

40 WORDS

the marginal cost of each additional unit of output is the marginal 99 labour cost. Marginal labour cost equals the money wage, divided by the number of units of output produced by the additional unit of labour, that is, the marginal

SA MACRO.docx (D143745356)**65/117****SUBMITTED TEXT**

15 WORDS

96% MATCHING TEXT

15 WORDS

of Labour Labour services are supplied by individual workers in the economy. Classical economists assumed that,

SA MACRO.docx (D143745356)**66/117****SUBMITTED TEXT**

19 WORDS

92% MATCHING TEXT

19 WORDS

firm (MC_i) is equal to the money wage (W) divided by the marginal product of labour for that firm (MP_L)

SA MACRO.docx (D143745356)**67/117****SUBMITTED TEXT**

15 WORDS

73% MATCHING TEXT

15 WORDS

the real wage rate. The higher the real wage rate, the steeper the budget line.

SA MACRO.docx (D143745356)

68/117	SUBMITTED TEXT	24 WORDS	41% MATCHING TEXT	24 WORDS
<p>the demand for labour and the supply of labour are functions of real wage only. If the price level changes, the demand for labour</p>		<p>the demand for labour and the supply of labour determine the level of output and employment. The classical economists regard the demand for labour</p>		
<p>W https://dammystv.com.ng/wp-content/uploads/2022/05/Macro-Economic-Theory-12th-edition-ML-Jhingan- ...</p>				
69/117	SUBMITTED TEXT	11 WORDS	100% MATCHING TEXT	11 WORDS
<p>demand for labour is equal to the supply of labour.</p>				
<p>SA MACRO.docx (D143745356)</p>				
70/117	SUBMITTED TEXT	23 WORDS	76% MATCHING TEXT	23 WORDS
<p>The horizontal aggregate supply curve implies that firms will supply whatever amount of goods is demanded at the existing price level. Fig. 6.8 6.4 The</p>				
<p>SA DSC-8-IntermediateMacroeconomics- I .pdf (D143881390)</p>				
71/117	SUBMITTED TEXT	19 WORDS	89% MATCHING TEXT	19 WORDS
<p>the Sacrifice Ratio, the parentage of a year's real GDP that must be foregone to reduce inflation by 1</p>		<p>The sacrifice ratio measures the percentage of a year's real GDP that must be foregone to reduce inflation by 1</p>		
<p>W https://vustudents.ning.com/group/eco403macroeconomics/forum/attachment/download?id=3783342%3AUpl ...</p>				
72/117	SUBMITTED TEXT	19 WORDS	100% MATCHING TEXT	19 WORDS
<p>and the rate of increase in money wages. The higher the rate of unemployment, the lower is the rate</p>				
<p>SA Macro Economics - Unit 1 to Unit 16.pdf (D150799861)</p>				
73/117	SUBMITTED TEXT	18 WORDS	63% MATCHING TEXT	18 WORDS
<p>the rate of unemployment arising from labour market frictions that exist when the labour rriarket is in equilibrium.</p>				
<p>SA DSC-8-IntermediateMacroeconomics- I .pdf (D143881390)</p>				
74/117	SUBMITTED TEXT	10 WORDS	100% MATCHING TEXT	10 WORDS
<p>in the long run, the long-run aggregate supply curve</p>				
<p>SA DSC-8-IntermediateMacroeconomics- I .pdf (D143881390)</p>				

75/117	SUBMITTED TEXT	11 WORDS	90% MATCHING TEXT	11 WORDS
that in the short run, shifts in the aggregate demand curve				
SA Sambalpur-BBA-SEM-III-Macroeconomics.pdf (D156210285)				

76/117	SUBMITTED TEXT	21 WORDS	82% MATCHING TEXT	21 WORDS
e 1 P P (y y*) = + - α (6.16) Subtracting last year's price level P ₋₁ from both sides of				
e P = P + 1 / Y - Y 4- Subtract last year's price level 1 P from both sides of				
W https://vustudents.ning.com/group/eco403macroeconomics/forum/attachment/download?id=3783342%3AUpl ...				

77/117	SUBMITTED TEXT	44 WORDS	54% MATCHING TEXT	44 WORDS
e 1 1 1 (P P) (P P) (y y*) - - - - + - α(6.17) In (6.17) P - P ₋₁ is the difference between the current price level and last year's price level, which is inflation (π). The term (
e 1 1 P - P = P - P + 1 / Y - Y v 5- The term on the left hand side is the difference between current price level and last years price level, which is inflation. The term				
W https://vustudents.ning.com/group/eco403macroeconomics/forum/attachment/download?id=3783342%3AUpl ...				

78/117	SUBMITTED TEXT	12 WORDS	71% MATCHING TEXT	12 WORDS
a short-run trade-off between inflation and unemployment, there is no long-run trade-off. 114				
a short-run trade off exists between unemployment and inflation, but there is no long run trade-off				
W https://dammystv.com.ng/wp-content/uploads/2022/05/Macro-Economic-Theory-12th-edition-ML-Jhingan- ...				

79/117	SUBMITTED TEXT	10 WORDS	100% MATCHING TEXT	10 WORDS
output is related to unexpected movements in the price level.				
Output is related to unexpected movements in the price level.				
W https://vustudents.ning.com/group/eco403macroeconomics/forum/attachment/download?id=3783342%3AUpl ...				

80/117	SUBMITTED TEXT	10 WORDS	100% MATCHING TEXT	10 WORDS
unemployment is related to unexpected movements in the inflation rate.				
Unemployment is related to unexpected movements in the inflation rate.				
W https://vustudents.ning.com/group/eco403macroeconomics/forum/attachment/download?id=3783342%3AUpl ...				

81/117	SUBMITTED TEXT	16 WORDS	65% MATCHING TEXT	16 WORDS
<p>in the short run, as is implied by the keynesian horizontal aggregate supply curve. In the</p> <p>SA DSC-8-IntermediateMacroeconomics- I .pdf (D143881390)</p>				
82/117	SUBMITTED TEXT	13 WORDS	76% MATCHING TEXT	13 WORDS
<p>the short-run aggregate supply curve is upward-rising, the long-run aggregate supply curve is vertical.</p> <p>SA DSC-8-IntermediateMacroeconomics- I .pdf (D143881390)</p>				
83/117	SUBMITTED TEXT	19 WORDS	50% MATCHING TEXT	19 WORDS
<p>the natural rate of unemployment. What are the implications of Mitton Friedman's theory of the natural rate of unemployment</p> <p>The natural rate of unemployment and the Phillips curve The development of the theory of the natural rate of unemployment</p> <p>W https://studyres.com/doc/14393036/m.a.-final-economics</p>				
84/117	SUBMITTED TEXT	13 WORDS	100% MATCHING TEXT	13 WORDS
<p>output and employment in the short run, but not in the long run.</p> <p>output and employment in the short run but not in the long run? 212</p> <p>W https://epdf.mx/macroeconomics72bba3b408b83a32d6af92b42f78a32874936.html</p>				
85/117	SUBMITTED TEXT	12 WORDS	91% MATCHING TEXT	12 WORDS
<p>The reserve-ratio rr is the fraction of deposits that banks hold</p> <p>The reserve-deposit ratio rr is the fraction of deposits D that banks hold</p> <p>W https://vustudents.ning.com/group/eco403macroeconomics/forum/attachment/download?id=3783342%3AUpl...</p>				
86/117	SUBMITTED TEXT	24 WORDS	88% MATCHING TEXT	24 WORDS
<p>The currency-deposit ratio cr is the amount of currency C people hold as a fraction of their holdings of demand or checking deposits D.</p> <p>The currency-deposit ratio cr is the amount of currency C people hold as a fraction of their holdings of demand deposits D.</p> <p>W https://vustudents.ning.com/group/eco403macroeconomics/forum/attachment/download?id=3783342%3AUpl...</p>				

87/117	SUBMITTED TEXT	18 WORDS	92% MATCHING TEXT	18 WORDS
<p>the · monetary base has a multiplied effect on. the money supply, the monetary base is also called high-powered money.</p>		<p>the monetary base has a multiplied effect on the money supply, the monetary base is sometimes called high-powered money.</p>		
<p>W https://vustudents.ning.com/group/eco403macroeconomics/forum/attachment/download?id=3783342%3AUpl...</p>				

88/117	SUBMITTED TEXT	14 WORDS	89% MATCHING TEXT	14 WORDS
<p>a store of value, a unit of account and as a standard of deferred</p>				
<p>SA final book.docx (D143611479)</p>				

89/117	SUBMITTED TEXT	18 WORDS	61% MATCHING TEXT	18 WORDS
<p>new money flows into the economy when businessmen finance investment in excess of the current rate of saving</p>				
<p>SA Macro Economics - Unit 1 to Unit 16.pdf (D150799861)</p>				

90/117	SUBMITTED TEXT	16 WORDS	64% MATCHING TEXT	16 WORDS
<p>the phillips curve, which implies a trade-off between the rate of inflation and the rate of</p>		<p>the Phillips curve analysis to the trade- off between the rate of unemployment and the rate of</p>		
<p>W https://dammystv.com.ng/wp-content/uploads/2022/05/Macro-Economic-Theory-12th-edition-ML-Jhingan- ...</p>				

91/117	SUBMITTED TEXT	17 WORDS	97% MATCHING TEXT	17 WORDS
<p>curve indicates the amounts of aggregate output that firms would want to supply at each price-wage ratio.</p>				
<p>SA Macro Economics - Unit 1 to Unit 16.pdf (D150799861)</p>				

92/117	SUBMITTED TEXT	17 WORDS	91% MATCHING TEXT	17 WORDS
<p>the aggregate demand curve shifts to the Position AD 1 , according to the</p>				
<p>SA Macro II_ Block 1.pdf (D164992151)</p>				

93/117	SUBMITTED TEXT	10 WORDS	100% MATCHING TEXT	10 WORDS
<p>in the long- run the aggregate supply curve is vertical.</p>				
<p>SA DSC-8-IntermediateMacroeconomics- I .pdf (D143881390)</p>				

94/117	SUBMITTED TEXT	28 WORDS	72% MATCHING TEXT	28 WORDS
<p>The Balance of International Payments The balance of payments is a summary statement of the economic transactions of the residents of a country with the rest of the world.</p> <p>SA MACRO.docx (D143745356)</p>				
95/117	SUBMITTED TEXT	14 WORDS	96% MATCHING TEXT	14 WORDS
<p>account. The capital account records purchases and sales of assets, such as bonds, and land.</p> <p>SA DSC-11- Intermediate Macroeconomics-II-BOOK.pdf (D143880565)</p>				
96/117	SUBMITTED TEXT	13 WORDS	100% MATCHING TEXT	13 WORDS
<p>receipts from the sale of stocks, bonds, land, bank deposits, and other assets</p> <p>SA 015E1120-Macro Economics.pdf (D165067732)</p>				
97/117	SUBMITTED TEXT	25 WORDS	55% MATCHING TEXT	25 WORDS
<p>balance of payments, the central bank will eventually run out of reserves of foreign exchange and will not be able to continue its intervention. In the flexible</p> <p>SA 015E1120-Macro Economics.pdf (D165067732)</p>				
98/117	SUBMITTED TEXT	13 WORDS	87% MATCHING TEXT	13 WORDS
<p>the exchange rate to adjust to equate supply and demand for foreign</p> <p>SA Sambalpur-BBA-SEM-III-Macroeconomics.pdf (D156210285)</p>				
99/117	SUBMITTED TEXT	13 WORDS	96% MATCHING TEXT	13 WORDS
<p>where the aggregate demand curve AD intersects the aggregate supply curve AS. The</p> <p>where the aggregate demand curve AD1 intersects the aggregate supply curve at the</p> <p>W https://kipdf.com/international-considerations-and-monetary-policy_5ac2ef341723dd44410897fe.html</p>				

100/117	SUBMITTED TEXT	39 WORDS	95% MATCHING TEXT	39 WORDS
<p>country's spending in any given year need not" equal its output of goods and services. A country can spend more than it produces by borrowing from abroad, or it can spend less than it produces and lend the difference to foreigners.</p> <p>SA Sambalpur-BBA-SEM-III-Macroeconomics.pdf (D156210285)</p>				
101/117	SUBMITTED TEXT	12 WORDS	100% MATCHING TEXT	12 WORDS
<p>An increase in the nominal money stock shifts the AD schedule</p> <p>SA DSC-8-IntermediateMacroeconomics- I .pdf (D143881390)</p>				
102/117	SUBMITTED TEXT	12 WORDS	83% MATCHING TEXT	12 WORDS
<p>exchange rate was determined by the forces of demand and supply. Under the exchange rate under the gold standard was determined by the forces of demand and supply between the</p> <p>W https://dammystv.com.ng/wp-content/uploads/2022/05/Macro-Economic-Theory-12th-edition-ML-Jhingan- ...</p>				
103/117	SUBMITTED TEXT	13 WORDS	76% MATCHING TEXT	13 WORDS
<p>exchange rate system the value of a currency in relation to other currencies</p> <p>SA MBAFT-6203 Economic Environment of Business .pdf (D164622150)</p>				
104/117	SUBMITTED TEXT	11 WORDS	100% MATCHING TEXT	11 WORDS
<p>fixed exchange rates and perfect capital mobility, a country cannot</p> <p>SA DSC-11- Intermediate Macroeconomics-II-BOOK.pdf (D143880565)</p>				
105/117	SUBMITTED TEXT	36 WORDS	73% MATCHING TEXT	36 WORDS
<p>cannot move out of line with those prevailing in the world market. Any attempt at independent monetary policy leads to capital flows and a need to intervene until interests are back in line with those the world market.</p> <p>SA DSC-11- Intermediate Macroeconomics-II-BOOK.pdf (D143880565)</p>				










106/117	SUBMITTED TEXT	13 WORDS	89% MATCHING TEXT	13 WORDS
<p>economic transactions of the residents of this country with the rest of the world. (</p> <p>SA MACRO.docx (D143745356)</p>				
107/117	SUBMITTED TEXT	19 WORDS	85% MATCHING TEXT	19 WORDS
<p>explain the relationships between balance of payments equilibrium and both expansionary monetary and fiscal policies within a fixed exchange rate system.</p> <p>SA MBAFT-6203 Economic Environment of Business .pdf (D164622150)</p>				
108/117	SUBMITTED TEXT	16 WORDS	62% MATCHING TEXT	16 WORDS
<p>that is, the amounts of capital and labour needed to produce one unit of output are</p> <p>that the amount of capital and labour required to produce a unit of output are</p> <p>W https://dammystv.com.ng/wp-content/uploads/2022/05/Macro-Economic-Theory-12th-edition-ML-Jhingan- ...</p>				
109/117	SUBMITTED TEXT	17 WORDS	91% MATCHING TEXT	17 WORDS
<p>of capital. 12. Discuss the manner in which income, price adjustments, and money supply adjustments interact in leading</p> <p>SA 015E1120-Macro Economics.pdf (D165067732)</p>				
110/117	SUBMITTED TEXT	13 WORDS	76% MATCHING TEXT	13 WORDS
<p>the savings ratio, the capital-output ratio, the rate of increase in the labour force-</p> <p>the saving ratio, the capital-output ratio, and the rate of increase of the labour force</p> <p>W https://dammystv.com.ng/wp-content/uploads/2022/05/Macro-Economic-Theory-12th-edition-ML-Jhingan- ...</p>				
111/117	SUBMITTED TEXT	15 WORDS	88% MATCHING TEXT	15 WORDS
<p>slightly from dead centre, the consequence would be either growing unemployment or prolonged inflation. In Harrod's</p> <p>slightly from the dead centre, the consequences would be either growing unemployment or chronic inflation. In Harrod's</p> <p>W https://dammystv.com.ng/wp-content/uploads/2022/05/Macro-Economic-Theory-12th-edition-ML-Jhingan- ...</p>				

112/117	SUBMITTED TEXT	15 WORDS	90% MATCHING TEXT	15 WORDS
<p>which depends, in the absence of technological change, on the increase of the labour force,</p> <p>W https://dammystv.com.ng/wp-content/uploads/2022/05/Macro-Economic-Theory-12th-edition-ML-Jhingan- ...</p>		<p>which depends, in the absence of technical change, on the increase of the labour force).</p>		
113/117	SUBMITTED TEXT	10 WORDS	100% MATCHING TEXT	10 WORDS
<p>output per worker as a function of capital per worker.</p> <p>W https://dammystv.com.ng/wp-content/uploads/2022/05/Macro-Economic-Theory-12th-edition-ML-Jhingan- ...</p>		<p>output per worker as a function of capital per worker.</p>		
114/117	SUBMITTED TEXT	29 WORDS	83% MATCHING TEXT	29 WORDS
<p>the equation (9.11) states that the rate of change of capital-labour ratio (G) is the difference of two terms, one representing the increment of capital and one the increment of labour.</p> <p>W https://dammystv.com.ng/wp-content/uploads/2022/05/Macro-Economic-Theory-12th-edition-ML-Jhingan- ...</p>		<p>The equation (6) itself states that the rate of change of capital-labour ratio (\dot{r}) is the difference of two terms, one representing the increment of capital [$sF(r,1)$] and the other increment of labour (</p>		
115/117	SUBMITTED TEXT	16 WORDS	65% MATCHING TEXT	16 WORDS
<p>the function n_r. The other curve is the function $sF(r, 1)$. The curve is drawn to</p> <p>W https://dammystv.com.ng/wp-content/uploads/2022/05/Macro-Economic-Theory-12th-edition-ML-Jhingan- ...</p>		<p>the function n_r. The other curve represents the function $sF(r,1)$. It is so drawn as to</p>		
116/117	SUBMITTED TEXT	15 WORDS	80% MATCHING TEXT	15 WORDS
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8 1.0 Objectives Whenever individuals speak to one another, there is a chemistry that work either to draw them closer or to push them further apart. If the organisation is to survive, it is a must that the people come closer. In any area of management—planning, organising, staffing, controlling, co-ordinating, budgeting, representing and in creativity also, communication is the primary and predominant factor. The managers must try to pull their employees together and create a climate of co- operation through the process of effective business communication. After reading this unit, one should be able to : I Understand the meaning of business communication. I Understand the nature of business communication. I Distinguish between different types of communication. I Appreciate the importance of business communication. I Properly design the communication to develop business. 1.1 Introduction Communication is not the monopoly of mankind. Every living being under the sun and on the earth communicate with one another. The chirping of the cricket, twittering of the swallows; croaking of the frogs in the monsoon are varieties of communication in the living world. Even the leaves of the trees awakening in the morning dew, the sound of the woodland flowers opening and closing, the clamour of the earth baring itself to the warming rays of the noonday sun communicate a lot to the sensible ears and to the observing eyes. In the human world, communication starts from the birth of the little baby, moves on through one's life cycle and ceases only with one's breathing last. So communication is a continuous process. As in the case of an individual, similarly in the case of business corporate or unorganised communication is continuous. It commences before the formation of the organisation and continues upto the stage of winding up of the organisation. So from a process perspective communication is a necessary part of being alive. Communication owes its root-to the latin word "Communicare" which means "to make common". Thus it is a psychological process of sharing information to achieve a common understanding between ourselves and others.

9 It involves our total behaviour from the uttering of words to making subtle physical gestures that enhance what we have to say. Our intended message is packed with our own perception of the world around us. We evaluate our receiver's view point with this perspective and make assumption that the message will be well-received. The background of different people social, academic, political, religious, financial, attitude, perception etc are different. Possibility of misuse of words and gestures and misunderstanding of words and gestures is quite possible. Communication may be defined in the language of David H. Holt as under. "The complete cycle of communication consists of encoding a message by a sender, trasmitting it through a medium, decoding the message by a receiver, then authenticating a receipt and understanding of the message by a receiver through feedback". Communication is the ability to impress. The communicator is keen to impress upon the receiver so that his message is well received. 'IMPRESS' is used as acronym for explicating the basic requirement of effective communication. I — Idea (Initiation) M — Message. It is acceptable and comprehensible to the receiver. P — Pause, punctuated; R — Receiver. E — Empathy (Putting oneself in to other's shoes). S — Sender S — Security/Checks. 1.2 Importance of Business Communication From a process perspective communication is a necessary part of being alive. From an organisation view point, communication encompasses the definition at the goals/objectives of the organisation, to announce the policy guidelines, to articulate plans, organise efforts, co-ordinate activities and confirm progress from time to time. Every organisation comes up with a definite set of objectives. With the passage of time and with evolution in the growth and development of the organisation, there may be alteration, addition or modification in the application level but the basic objectives, the fundamental. goals remain the same. Business communication is the process by which these goals/objectives are conveyed to the employees of the organisation.

10 Every year, the organisations come out with some policy guidelines on the basis of which plans are made to achieve the goals. Plans are both short term and long term. Business communication articulates these policy guidelines and business plans. Organising efforts at different levels, Communications both internal and external contribute to implementation of plans. Effective Communication further co-ordinates activities of the different departments and divisions in the organisation. At the different stages of the progress of implementation of the plans and programmes communication is the connecting link among the branches/offices and the corporate office. It confirms the progress to the top-management and also to the supervisory authorities. Thus business communication is : a) the basis of co-operation. among the employees, groups divisions and departments. It is also the basis of co-operation between the employees and the employer. It also develops co-operation between the organisation and external agencies. b) communication is the basis of co-ordination among the different divisions / departments of the organisation. For example, if the purchase division, production division and sales division do not have co-ordination there will be disturbance at different levels. Continuous communication helps to work in unison. c) smooth working of an enterprise depends on effective business communication. It is an edge over other enterprises where intra communication and inter communication is a futile exercise. d) business communication is the basis on which decisions are. made. If communication is timely, accurate, transparent and objective, sound decisions can be taken promptly on further course of action. Management information system, to a great extent depends on effective communication system. If on the other hand communication is delayed, defective and prejudiced, decision gets delayed and defective. e) effective business communication begets managerial efficiency and secures more and more business. f) cultivated communication promotes industrial peace and dissolves unrest and conflicts. 60% of problems in the organisations and enterprises crop up because of wrong communication and half baked feed back. g) proper communication is an essential quality to establish effective leadership. A leader should know how to communicate his ideas and to convince his followers to be guided by his directions. h) communication if properly conveyed assists in motivating the people to fulfil the objectives set before them. i) communication if done properly gives job satisfaction to the employees. People do

11 the work, not only for the compensation they get, they also look forward to some appreciation from their leader. Healthy and encouraging communication can bestow that appreciation to the workers, employees. j) communication creates loyalty of the employees to the organisation—If the top management is adept in their communication to the employees, they can get a group of people who will give their best to the organisation. k) communication helps in establishing good public relation. It contributes to image building exercise for the organisation. More than what is being communicated, it is more important how it is being communicated. The public is more interested in the how of the communication and that intensifies congenial public relation. l) finally communication is the process by which the goals and objectives of the organisation are made known to the employees in the organisation. By communication the goals and objectives are properly interpreted. Again by proper communication the goals and objectives are properly accomplished. So the importance of business communication in running an organisation or enterprise can never be ignored or minimised. 1.3 Significance of Business Communication Communication affects organisational performance. Managers are concerned with pulling work groups together to pursue organisation goals. To that extent, they strive to create a climate of cohesiveness and communication that avoids distortion, misaligned attitudes and uncomplimentary needs. While doing so, their leadership will be strengthened and the organisation will be more effective. So the significance of business communication in the organisation is : 1) To build up a strong and cohesive organisational structure where the interest of the organisation always gets the outmost attention as against personal or group interest. Proper communication enhances the efficiency of the entire management, where as faulty communication makes the communication complicated and leads to lots of problems. 2) Communication harmonizes the various objectives of an organisation. Any organisation will have different objectives. For example, on academic organisation may have different objectives like spreading education, both formal and vocational, making it a centre of cultural integrity, preaching some values and morals. Proper communication among the different management staff and the authority would bridge up the gap of perception and ultimately result is fulfilment of all the objectives.

12 3) Communication is a time-saving mechanism : It saves journey time and helps in taking quick decision. 4) Communication helps to maintain good relationship among the workers. It also helps to maintain good relation among the workers and the supervisors, the supervisors and the top management. 5) By proper communication from the supervisory staff and the line managers, the management comes to know the quality and potentiality of the individual staff members and make the best utilisation of the available human resources. Human resources are the costliest factor for any organisation. By proper training and further development of the staff members identified by the management, their capacities and capabilities would be fully utilised. 6) Today no organisation can work in isolation. It has got some social obligation. Besides, it may be a member of an association or federation. Moreover, it is to report to the law-enforcing regulatory authorities. Against this background, it is a must that the internal and external environment of an organisation are properly harmonized and balanced. Business communication is the key activity to this harmonizing and balancing process.

1.4 Nature of Business Communication

1) Communication is a co-operative process. Number of persons are involved in this process. Some of them are communicators, some are listeners. Unless they are cooperative no communication can be effective. The communicators are expected to be clear about what they are going to communicate and the listeners are expected to receive those communications with the willing ears and attentive understanding. 2) Communication is a continuous process. Business communication commences before the business enterprise comes into existence. continues through-out the existence, of the organisation and even outlives the organisation. It also flows on from one division to another division, from one department to another department. It transits from internal environment to external environment and coines back to internal environment. 3) Communication is a two ways process : It originates from the sender, and reaches the receiver. But the journey of the communication is not over at that stage. As feed back from the receiver, it. goes back to the sender. Feed back implies the confirmation of the idea communicated, whether the message has been understood by the receiver in the same sense, the sender transmitted the message. With the proper feed back, the message is completed.

13 4) Relationship process—The entire process of business communication moves on mutual understanding and good relation. Without these two preconditions, no communication can stand. Communication is between two individuals or two groups or between one individual and one group etc. Unless these two units have the same wave length, and preparedness to listen to each other and convey the feed back, communication would have lots of hurdles and ultimately it would be a failed communication.

1.5 Classification of Business Communication

These are different types of Business Communication according to purpose and process.

a) Managerial Communication : It refers to communication strategy adopted by the managers for achieving short terms objectives. b) Organisational Communication : This refers to established communication networks and the flow of communication within the organisation. c) Interpersonal communication : To develop human relations and to build the team. This type of communication caters to the need of developing customer. Relations programmes and strategic alliances. d) Sales Communication : Serves the purpose of improving sales of the organisation. It also takes care of publicity and public relations, customer solicitation, road shows, participation in exhibitions advertising etc. e) Report writing : This constitutes information, memos, regular reports, reports on data analysis, growth performance, investigation. e) Electronic communication : Where. electronic instruments and processes are resorted to, to send the communication. Electronic Mails, video conferencing, fax, cell phones telephonic messages, pagers etc. constitute the gamut of electronic messages.

1.6 Network of Business Communication

Communication network is a technique used for planning and scheduling of the system of communication. It shows the inter relationship among various activities constituting a project or programme. The network of Business Communication may be for Internal Communication or for External Communication. Network develops a disciplined and systematic approach in planning and scheduling the activities. This network is applied for : i) Research and development, ii) Market research,

14 iii) Long range planning and development, iv) Staffing plan, v) Organising big conferences. Network of business communication helps the management to think systematically. It ensures that sequence requirements are adequate and interdependent. Network of Business Communication, a) minimises delay b) controls costs c) removes interruption and conflicts. 1.6.1 Internal Communication Network a) Formal Internal Communication Formal communications are generally vertical. It follows the authority chain and it is limited to task-oriented communication. It follows the official chain of command. This network is determined by the structure of management and reporting system prevalent in the company. Every firm/organisation prescribes who reports to whom and what forms these communications would take care of. Some of the reporting authorities and the forms are as under. 1) Workly progress reports from subordinates to superiors—Branch to Regional Office, Regional Office to Zonal Office; Zonal office to Head Office. 2) Job schedules and task assignments are passed down from superiors to juniors. 3) Traditional Planning Systems. Process of articulating objectives and budget downward from strategic executives to operational supervisors. Formal communication network is highly structured and formal style of communication. There are four forms of formal network communication. a) The wheel pattern of formal communication : There is one central level (authoritarian and dominating and five sub-ordinate levels. One central authority dominates all the subordinate levels. There is no communication among these five levels. b) Chain pattern of formal communication. In this pattern, messages flow only along (up & down) the scalar chain or command. There is no horizontal or interfunctional communication at middle and lower levels.

15 This is a six level hierarchical structure. The central level occupies the key position, receiving and monitoring communication from the higher level and transmitting it to the levels below in the chain. It also registers, filters and transmits the feed back from below along the chain upward to the upper level. c) 'Y' pattern of formal communication. The central level is located fairly high in the management hierarchy and holds the key in monitoring and operating the communication chain. d) Democratic participative style of communication. In this the communication network can be arranged in the circular pattern. Employees at all levels get involved in the management process. All group members actively communicate with one another. It is a four level hierarchy. b) Informal Communication Network Pattern In every organisation there is an informal structure, a shadow system of authority that modifies the formal system of power and influence. This informal structure is sustained by informal communication process. It is free, to move in any direction at any stage, and it skips authority levels. It is likely to satisfy group members' social needs. The informal communication system is also called grape vine exercise. This is an important source of information in most of the organisations. There are four types of informal communication network pattern. a) Hierarchical trend patten of informal communication. In this patten the levels in the management hierarchy dominate and work as a nerve centre for informal communication spread. b) Gossip pattern of informal communication. It is free for all. It flows on crisscross, circular and up and down. Certain visible informal groups provide the rallying point for gossip. c) Group centre network of informal communication. In this pattern, there are some distinct centres or group nodal points which work as sources of communications. This may be due to the nature of the position or the function of the group or due to certain individual managers. located in a group who are known for keeping track of the communication and dissemination of messages. The centre of transmission may change with the change of the manager or the shifting of the concentration of interest. d) Random net or probability pattern of informal communication.

16 This pattern of informal communication is a combination of gossip pattern and the group centre model of communication. In this pattern there is random concentration of gossip around certain levels. These levels may shift from time to time with the nature and source of communication. 1.6.2 External Communication Network This refers to the communication between the people inside the organisation with the people outside the organisation. An organisation of today must have social orientation and market orientation. To fulfil these obligations organisation constantly interacts with the customers, suppliers, distributors, retailers, govt. agencies, competitors, business associates, confederation of commerce and industries. External communication net work links the organisation with the outside world. The external communication network is constituted of oral written or audiovisual forms. a) Formal External Communication Network This helps to create a favourable impression about the organisation in the outside world. Establishing good and impressive public relations, interaction with clients, discussions with the wholesalers and retailers; participation in the deliberations at the association levels, being friendly with the people at the administrative and political levels are all important avenues of effective external communication. It contributes to image building exercise of the organisation and protects the organisation from external upheaval, sabotage, strike, litigation marketing myopia etc. Some of the modes of the Formal External Communication are : 1) Advertising & Publicity 2) Website and internet 3) Presentation 4) Seasonal Greetings 5) Road shows 6) Letters. b) Informal External Communication Network Generally the organisations communicate with the outsiders in a formal manner, However informal contacts with the external agencies and individuals. form potential part in organisational diplomacy. While discussing about the company with the outsiders the insiders by their tone, gestures and eye contact communicate with the outside world. Informally many employees of the organisation collect some facts and impressions about the organisation and that

17 constitute the collective understanding of the company by the outside world. It also helps to know the customers' needs and their preferences. Informal contacts also help to know about the position and strategy of the competitors. 1.7 Different Types of Formal Communication Formal communications in an organisation are generally of three types. 1) Vertical 2) Horizontal 3) Diagonal 1.7.1 Under the vertical group, there are two subgroups a) Downward Communication b) Upward Communication a) Downward Communication Messages and information are communicated by managers to their subordinates. The Chief Executive Officer of any organisation devotes half of his time to communicate with subordinates through : 1) Meetings 2) Policy Directives 3) Memos 4) Letters relating to a) Objectives b) Strategic plans c) Performance expectations, d) Activities. Executives communicate objectives, provide about strategic performance expectation and encourage behaviour by subordinates that coincide with the company philosophy. b) Upward Communication Here the communication is from the subordinates to the superiors—either originating or responding. Messages and information are initiated by subordinates for their superiors, usually in the form of reports on 1) Activities 2) Work progress

18 3) Problems they have with their jobs. They also communicate through devised channels; 1) Air grievances 2) Offer suggestion for improving productivity 3) Provide feed back to management queries. Most of the upward communication is predetermined routine. 1.7.2 Horizontal Communication It is the process of exchanging information between peers at any organisational level, usually to coordinate activities. It exists between peer managers, departmental heads and co-workers. It also helps in avoiding misunderstanding. If Accounts department staff make any change in the accounting procedure and instruct the regional officers, branches to follow the revised procedure, without any reference to the Organisation and Methods division, which functions under Planning department obviously there will be some misunderstanding leading to disorder and disturbance in the functioning of the organisation. To avoid this type of unwelcome misunderstanding, horizontal communication is the best solution. 1.7.3 Diagonal Communication This is also horizontal flow of communication with people of different levels who have no direct reporting relationship. The purposes are varied; i) to speed information flow ii) to improve understanding iii) to co-ordinate efforts for the achievement of organisational objectives. 1.8 Business Communication and Business Productivity 1.8.1 Business Productivity The concept of business productivity aims at maximum the output to be produced with minimum resource utilisation. The concept was introduced by famous economist Quoesne in the year 1776. The concept got popularity after second world war: During the period of war the necessity of increasing the production was felt seriously. So new methods of increasing the production through the introduction of the tools of Scientific Management were given unforeseen importance. The tools used widely are—

19 1) Time study 2) Motion study 3) Fatigue study 4) Process study 5) Work study. 1.8.2 Importance of business productivity The impact of business productivity in the growth and development of organisations is being increasingly felt day by day. Importance of business productivity is specifically noticeable in the following areas : a) Business productivity reduces cost of production. b) With the reduction in the cost of production, the price for the different products goes down, which ultimately leads to better standard of living. c) Improved business productivity becomes an effective edge against the competitors. d) When all the business enterprises and organisations consistently improve business productivity keeping other factors undisturbed, the gain is of the society. There will be social and economic progress and prosperity. e) It improves the efficiency of both the employees and the employers (Managements). f) With increase in business productivity, wastage becomes less and finally gets eliminated. g) With increase in business productivity the management feels encouraged to improve working conditions, with the expectation that there would be further increase in productivity. h) The management can also afford to meet the demand of higher wages of the employees. i) Finally with continuous improvement in business productivity, the company looks forward to maximization. 1.8.3 Role of business communication in improving business productivity 1) Effective business communication helps the employees and the managers to apply the principles of specialization. 2) Proper communication develops the system of coordination mutual understanding and harmonisation among the employees and the group, which contributes a lot to improving business productivity. 3) Business Communication helps to maintain continuity in the process of production, distribution, marketing etc. This continuity is a must for improving business productivity.

20 4) Proper reporting system helps decision taking which, in turn, improves business productivity. 5) Proper presentation of the decision for systematic implementation is one of the areas of business communication. By this process, it helps business productivity. 6) Through business communication, objectives of the management are circulated among the employees. Impressive interpretation of those objectives assists business productivity. 7) Effective communication creates proper understanding among different levels of superiors and subordinates. This mutual understanding is an asset for business productivity.

1.9 Communication Challenges ID today's Scenario Good Communication skills have always been important in business organisations. They are more vital today, with the change in work place—team based organisation, change in society, expanding markets and moreover technological upgradation have brought in number of challenges. 1.9.1 Advances in Technology The Internet, e-mail, voice mail, faxes, pagers, audio video devices have revolutionized the process of communication. These technological advances have brought in new and advanced tools in communication. Simultaneously these have brought speed, frequency and much wider reach of Communication. Today the communicators have to think not only about what he is going to communicate, how to communicate and also which technological tools he should apply. 1.9.2 Globalization of Business and work force diversity More and more business today are crossing national boundaries to compete on a global scale. Besides work force in the organisations are coming from different nationalities with diverse cultural background. This implies that employees must understand the laws, customs and business practices of many countries and be able to communicate with the people who speak different languages. 1.9.3 Team Based Organisations The command and control style of traditional management structures is ineffective in today's fast-paced, technologically advanced environment. The concept of hierarchical management where decisions are taken by a few individuals is no longer viable. Instead, team decisions are being acted upon to succeed in a competitive and wider market. To

21 function in a team-based organisation, the managers must be good communicators. They must interact, reach decisions, work in unison, and resolve conflict. They should listen to others have empathy, give proper feedback and appreciate the team members. 1.9.4 Large Scale Operations With the expansion of the organisations, delegation, decentralisation and diversification are becoming regular features. For co-ordination among the different divisions, communication and management information systems are gaining more and more importance. 1.9.5 Emergence of skilled labour and professional awareness With the spread of education and enlightenment the work force is becoming more and more conscious of their contributions and their demands. Their aspirations are also growing. Concept of democratic style of management is also gaining ground. To cope up with these radical changes, effective and conscious communication is absolutely essential. 1.9.6 Increasing social orientation Business organisations can no longer afford to be aloof from the society. They grow with the society. They develop with the social and economic development. So they will have to meet their social obligations. They will have to deal with the different social segments. They will have to interact with the shareholders, customers, media, NGOs, government, their own chambers and business associates. In all these activities communication is the most effective skill.

1.10 Sample Questions Short answer type Questions 1) Define Communication. 2) What are the purposes of business Communications? 3) What is communication network? 4) What are the forms of formal communication? 5) What do you mean diagonal Communication? 6) What is business productivity? 7) What is grape vine exercise? 8) Amplify "Impress". Long answer type Questions 1) What are objectives of Communication?

2) 2) What do you understand by Business, Communication Network? 3) Discuss the importance of Business Communication. 4) What are the reasons of the growing importance of Communication? 5) Discuss informal Communication network pattern. 6) Discuss the role of business communication in improving business productivity. Objective type Questions 1) Communication is the basis of : a) management b) conflict c) coordination d) argument. 2) Business productivity concept was introduced in the year : a) 1957 b) 1776 c) 1857 d) 1802 3) Team-based organisation is : a) conventional b) dictatorial c) modern d) archaic organisation. 4) 'E' in 'Impress' denotes : a) employment b) engagement c) empathy d) enmity 5) In the wheel pattern of formal communication central level is : a) five b) multiple c) ten d) one 6) Formal communications in an organisation are generally of : a) five b) ten c) multiple d) three types. 7) Horizontal communication is between : a) the employer and the employees b) Manager and the staff c) the peers d) the substaff.

23 Structure 2.0 Objectives 2.1 Principles of Effective Communication 2.1.1 Positive Principles 2.1.2 Negative Steps to be Avoided to make Communication Effective 2.2 Feed back is the Essence of Communication 2.2.1 Three tier Process of Feed back 2.3 Listening : A key to Understanding 2.3.1 Types of Listening 2.3.2 The Listening Process 2.3.3 Barriers to Effective Listening 2.3.4 How to improve Listening skill 2.4 Sample Questions 2.0 Objectives Effective communication skill forms the environment which is conducive to successful human relation. It also encourages congruent relationship at the corporate level. Though for a few leaders· effective communication skill is a natural trait of character, for the most of the people for whom business is either an occupation or a profession, this skill is to be cultivated. This is to be learnt properly and consistently· like any other performing art. The chapter will discuss the positive principles which will improve the process of communication and shall be also deliberating on the negative steps which are to be avoided to ensure smooth communication. It shall be also referring to feed back in communication and importance of listening in the communication skill. 2.1 Principles of Effective Communication Communication is the process of sending and receiving message. However, communication is effective only when the message is understood and when it stimulates action or encourages the receiver to think in new ways. Unit 2 ppppp Effective Communication Skill

24 Besides, business communication differs from communication-in. other settings. So it is obligatory that some principles should be followed to make the communication effective. These principles are classified in to two groups- positive and negative. 2.1.1 Positive Principles a) Initiate the Message Clearly The first step is how to commence· the process. A good communicator communicates before he communicates. The presence, the eye contact, appearance, subtle gestures all combine to initiate the message. The message should have rational appeal, emotional appeal and moral appeal. A sense of judgement should be reflected in the message. The emotional appeal in the message is the immediate stimulating factor where as the moral appeal convincingly imposes some obligation on the part of the receiver to do something in a different way, the way in which the sender of the message wants it to be done. The message is also to be properly structured. While the message is being. initiated, it should be decided whether it is to draw a conclusion or whether it is to be left to the audience for their deliberations and decision. The sender is also to decide whether the communication is to be one-sided argument or multisided argument. Besides, the message should have a formal headline, matter, illustration, colour etc. and conclusion. b) The Objective of the Message What is the purpose of the message? That should be clearly understood by the sender. It may be conveying some information, sending some report, giving a suggestion, airing some grievances, discussing some problems, communicating some goals or plans. The objective of the message decides the channel to be selected and the ambience to be associated with the communication. c) Identifying the Target Audience The same message may be communicated to the different AUDIENCE. It may be an individual, a group, different groups. The policy guidelines of an organisation for a particular year, are communicated to the top management, senior management, middle management, junior management and also to the award staff of the organisation. For-effective communication the content, the conduct, the channel, the language would have to be changed considering the academic background, the experience, the position and placement, and the receptivity of the respective audience. So the communicator· must study the academic background, social composition, peculiar interests and attitude, exposure and experience of the people with whom he 25 is to communicate. This will help to develop identical wave length, which will be conducive to effective communication. d) Choosing Appropriate Channel This is an important selection in the age of E-Commerce. With multiple channels at the disposal of the communicator it is a hard task to determine the proper channel. In the case of personal communication, if it is conversational, eye-contact is· very effective. In tele-talk it is the accent and the modulation which keeps the tele-talk lively. If it is by letter, the selection of words, the approach and the tone of the letter count a lot. In the case of non-personal communication, according to the purpose and the receiver, it may be newspaper, radio, TV, leaflet etc. Sometimes, multiple channels including formal and informal channels are used to attain effectiveness in communication. For example, to make pulse polio vaccination project a success, different channels like Radio, T.V., Newspaper, posters, pamphlets, messages of the leaders and the announcements by the local clubs, are being used simultaneously. It may be observed that the communication is gaining ground. e) Collection of Feed back Collection of the feed back is the final stage of the process of communication. Communication should not be left half way, neglecting the receipt of feed back. From the feed back, we can make out whether there has been any change in approach or in behaviour, whether any new work has started or any initiative has been taken. f) Empathy as a General View Point Empathy is an important feature in communication. If the sender (the communicator) can put himself in the shoes of the receiver, he can feel the pinch and takes effective steps to get over that pinch. It entails that the sender of the message should be able to understand the emotions, sentiments, needs and perceptions of the receiver. He should also be able to appreciate the attitudinal changes on the part of the receiver, during the course of communication. g) Listen Carefully Active listening helps in consciously focussing on what is being said. The receiver has an important role in any type of communication. He is to receive information by perceiving language and gestures. By proper listening the receiver gives his immediate feed back and on the basis of the feed back the sender can complete the ·communication loop. The communicator must also be a good listener. By this he should give opportunity

26 to others to speak and in the process gathers useful information to communicate further. h) Develop Communicational Behaviour that is Congruent with Attitude of the Receiver Communication is a two way process. It becomes effective when there is interaction between the sender and the receiver. As communication goes on the receivers either accepts the message by attentive listening, assertive nods or appreciative smile. The receiver may also disagree to what the communicator is trying to communicate. He may give negative nod. He may exhibit his restlessness because of his failure to appreciate the message. He may whisper something to the next person. The communicator should develop the faculty to take note of these attitude and reaction of the receiver and take appropriate steps to keep the communication lively and participative. 2.1.2 Negative steps to be Avoided to make Communication Effective 1) Do not blow smoke and confuse the listener. The communicator can not get respect from his colleagues and subordinates by blowing smoke of arguments and counter arguments without any definite message. If the communicator does not know something, he should not have pretension. It is better if he admits his ignorance. 2) A void noise where possible while communicating the speaker should not tap his finger or jingle a chain or ride a squeaky chair. These are simple physical disturbances that confuse the clarity or quality of the message being transmitted. More than these physical disturbances there may be physiological or psychological disturbances that create more acute communication problems. These interferences should be avoided by finding out the sources. 3) Do not polarize a conversation Confrontation seldom leads to improved communication or closer association So it is desirable that while communicating we should not enter into conflicting arguments, nor make the sender and the receiver taking positions poles apart. 4) Do not use semantics While communicating no misunderstanding should be created by indiscriminate use of words since the meaning of words are changing from time to time particularly when the people in a group are from different languages. Communication is not the occasion for displaying knowledge. 5) Do not obfuscate Darkening any information or any part of communication unintentionally or accidentally creates misunderstanding. This leads to mental road block. This should be avoided to ensure smooth communication.

27 6) A void Screening Guarding against some unpleasant information or hard-to-take criticism may be a subconscious process or an automatic defence mechanism. But this screening of information hampers proper communication. 7) Do not yield to jaundiced view point While communicating the communicator should not be biased in one or other way. It should be complete and without any deviation or modification otherwise it prevents effective communication by creating barriers to free expression and open-minded listening. 8) A void Frozen evaluation This is an attitude of "no change" assumption in which a person shuts out information. Status quo is retained to avoid threat of having to alter values or beliefs in a changing world. In the case of frozen evaluation, no fresh evaluation is made of the situation or the persons involved. In the process of communication this is a hurdle which is deliberately entertained. 9) A void stereo typing This is oversimplifying situations and individuals : This is a process in which the communicator is too much concerned, with his personal attitude and hardly bothers about the need of others and the need of the organisation. The objective of communication is to fulfil the goals of the organisation and also to make best utilisation of available human resources. Stereo typing affects both these objectives of communication. 2.2 Feed back is the Essence of Communication Feed back is an important method of ensuring effective communication. It implies the confirmation of the idea communicated, whether the message has been understood by the receiver in the same sense the sender transmitted the message. The sender has i) his own idea ii) behavioural pattern iii) intention Accordingly he i) selects a message, ii) encodes it, iii) transmits it,

28 iv) through a channel. The receiver receives the message, decodes it, and acknowledges. This is the first stage. In the second stage the receiver, i) formulates the message ii) encodes it iii) transmits it to the original sender (who is now the receiver). The message transmitted is the feed back. With the proper feed back, the message is completed. The sender (now the receiver) on receipt of the feed back can make out whether the original receiver has properly understood the message. From feed back the sender can determine the effectiveness of the message. 2.2.1 Three tier process of feed back A good feed back system involves three tier process. i) To listen/study the communication accurately. ii) Repeat the important parts/words of the message. iii) Receiver gives a response and confirms his reaction. "Most people want feed back, as long, of course, as it mirrors their self perception. When it does they tend to like it. When it doesn't they don't Larry Cipella. This is again jaundiced view point about feed back. This affects the free flow of communication and works as a road block to the receiver's own perception. Feed back is of two types. A) Confirmatory feed back : When all the moves and the actions of the sender are accepted by the receiver and the receiver agrees to the sender's statement, the feed back system is known as confirmatory feed back. B) Corrective feed back : When the receiver disagrees to the sender's statement and corrects the statement, the feed back system is known as corrective feed back. 2.3 Listening : A key to understanding According to Jennifer J. Salopek "Listening can reduce stress, frustration and conflict in the work place" Listening is more than hearing. For hearing, only the ears are used. Listening is possible when our entire existence is attentive and perceptive to what is being communicated. Out of entire communication time managers spend on various communication channels, listening is 45%. So listening is a vital skill. in business communication.

29 2.3.1 Types of listening Different situations call for different listening skills. When the managers attend the business plan conference of a financial organisation, they take more interest in the content of the business plan and what is the target for their branches/offices. The same managers, when they attend a discussion on the newly introduced products and schemes; they listen attentively to the products and schemes which will be most suitable for their area of operations. In the personal discussion with a friend on the need of financial products, one of these managers "listen to him attentively to suggest which financial product will suit him best. These different types of listening differ not only in purpose but also in the amount of feed back and interaction. These three types of listening are a) content-listening b) critical listening c) empathic listening. In the first one the goal is to understand and to retain the message. In critical listening the goal is to understand and evaluate the meaning of the speaker's message, the logic of the argument, the validity of the conclusion, the omission of any important or relevant part. Critical listening involves interaction and evaluation. The goal of empathic listening is to understand the speaker's feelings, needs and wants so that the receiver can appreciate speaker's point of view, regardless of accepting or not sharing that perspective.

2.3.2 The Listening Process Listening is the process of accurate perception of what is being communicated. It involves five related activities. Receiving : Physically hearing the message and taking note of it. Physical reception may be blocked by noise, impaired-hearing, inattention. Interpreting : Assigning meaning to sounds according to receiver's own values, beliefs, ideas, expectations, roles, needs and personal background. The speaker's frame of reference may be quite different, so there is a need to determine what the speaker really means. Remembering : Storing a message for future reference. As the receiver listens, he retains what he hears by taking notes or making a mental outline of the speaker's keypoints. Evaluating : Applying critical thinking skills to weigh the speaker's remarks. Separating fact from opinion and evaluating the quality of evidence constitute this critical thinking. Responding : Reacting after evaluating the speaker's message: It may be by a verbal feed back if communicating one-to-one or in a small group. If in an audience on the reaction may be applause, laughter or silence.

30 2.3.3 Barriers to effective listening Prejudgement is one of the most common barriers to listening. Listeners who jump to conclusions, close their minds to additional information. Self centred listeners shift their attention from the speaker to themselves. No matter what subject is being discussed, they know more than the speaker does and they are determined to prove it. Another common barrier is selective listening. When the receiver listens selectively and let his mind wander around, he tunes the speaker out. After some break, once again the receiver becomes attentive. This is half-hearted broken listening. Recognising these counterproductive tendencies as barriers and working on overcoming them help the receivers to become good listeners.

2.3.4 How to improve listening skill Ability to listen effectively is directly related to achieving success in team relationship. Effective listening requires a conscious effort and a willing mind. Some of the steps to improve listening skill are stated below.

1. Look beyond the speaker : a) Don't judge the message by the speaker but by the argument. b) Depersonalize listening. c) Decrease the emotional impart of the message.
2. Fight distractions a) Close doors b) Move closer to the speaker c) Stay ahead of the speaker by anticipating what will be said next and summarizing that has already been said. d) Don't interrupt, avoid side tracking solutions and throwing the speaker off the course. e) Hold your rebuttal until you have heard the entire message.
3. Provide fee back a) Let speaker know you are paying attention. b) Maintain eye contact. c) Offer appropriate facial expressions. d) Keep all criticism and feed back positive.
4. Listen Actively a) Listen for concepts, key ideas, and facts.

31 b) Analyse the key points-whether they make sense. c) Look for unspoken messages in the speaker's tone of voice or expressions. d) Keep on open mind. e) Ask questions that clarify. f) Reserve judgement until the speaker has finished. g) Take meaningful notes that are brief and to the point. Effective listening strengthens organisation relationships, enhances product delivery, alerts the organisation about any eventuality. It enables the organisation to manage growing diversity both in the workforce and in the customers it serves. Organisations that listen effectively stay informed, upto date and out of trouble.

2.4 Sample Questions Short Answer Type Questions 1) What do you mean by feed back? 2) "Active listening is more than hearing" discuss. 3) "Feed back is the essence of communication" discuss. 4) What do you understand by "jaundiced view point?" Discuss. 5) What are the guidelines for effective listening? 6) What do you understand by "obfuscating"? 7) What is frozen evaluation in the process of communication? 8) Discuss the three-tier, process of feed back. Long Answer Type Questions 1) Discuss the positive principles of effective communication. 2) What is a channel? Discuss the importance of channel in communication. 3) What are the negative steps to be avoided to make communication effective? 4) Discuss "listening a key to understanding". 5) What are the barriers to effective listening and how to improve listening? Objective Type Questions 1) A good communicator communicates before he a) appears b) explains c) communicates d) clarifies. 2) A message should have a) rational appeal b) moral appeal c) emotional appeal d) all the three.

32 3) Communication is a) multiway process b) no process c) triple way process d) two way process. 4) Semantics is a) the science of development of the meaning of words b) the science of communication c) the dictionary of state words d) a barrier to communication. 5) Obfuscating implies a) raising objection b) wrong communication c) confusing audience d) darkening information. 6) A good feed back system involves a) Multi tyre process b) Three tyre process c) Two tyre process d) Four tyre process 7) In critical listening the goal is to a) retain the content of the message b) evaluate the meaning of the message c) understand the speaker's feelings d) interpret the message.

33 Structure 3.0 Objectives 3.1 How Communication originates 3.2 Different phases of the process of communication 3.3 Noise 3.4 Other draw backs 3.5 Sample Questions 3.0 Objectives All communications are goal-oriented. The two-way process of communication is the route through which mutually accepted goal is to be reached through an exchange and progress of ideas. This chapter will discuss in detail : How Communication originates; What are the different phases of communication; Noise. that disturbs communication; Other draw backs. 3.1 How Communication originates Communication does not occur suddenly or haphazardly either at the personal level or in the organisation. The communicator has an idea or an information or a suggestion or a problem or any other thought. He wants to share it with somebody else or a group of people. He communicates it. This is how communication originates. So the bare essentials of a communication are 1) Sender 2) a Message 3) a Receiver. This is the simplest model of communication. 3.2 Different phases of the process of communication The communication process is not as simple as stated above. This is a dynamic and transactional two way process between the sender and the receiver. This has got six phases linking the two parties. Unit 3 ppppp Process of Communication

34 Phase-1 : The sender has an idea. He has conceived it and he wants to transmit it. The sender may be a superior a subordinate, a co-worker, a customer or any other person from inside or outside. Phase-2 : The sender encodes the idea. When the idea is put into a message that the receiver will understand, then message is encoded. After encoding the message the form is to be decided, —is it word, facial expression or gesture. The length, tone and style of the message are also decided depending on the idea which is being transmitted. The personal style and mood of the sender and also of the receiver are considered before transmitting the message. Phase-3 : The sender transmits the message. To physically transmit the message the sender is to select a communication channel (verbal or non-verbal, spoken or written) and a medium (telephone, letter, memo, e-mail, report, face-to-face exchange.) This choice depends on the message, location of the receiver, need for speed and the formality. required. Phase-4 : The Receiver receives the message. Receiver is the person for whom-the message is meant. He must get the message and authenticate it. Here the initiative is transferred to the receiver. If the message is oral, he is to listen to it. If it is a letter he is to read it before understanding it. Phase-5 : The Receiver decodes the message He must absorb and understand the message. The decoded message is stored in the receiver's mind. If the receiver interprets the message correctly, he will assign

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the same meaning to the message as intended by the sender

and respond in the desired way. Phase-6 : The Receiver sends feed back. After deciding the

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message, the receiver responds in the same way and signals that response to the sender.

This feed back enables the sender to evaluate the effectiveness of his message. In case of receiver's failure to understand the message, the sender is to tell by response and refine the message. As communication is a continuous process; the process. as clarified above is repeated until both the parties are contented about expressing themselves. 3.3 Noise Noise is a physical sound or a mental disturbance. that obscures, reduces or confuses the clarity or quality of any communication. It can be classified into two categories :

35 a) Physical Noise : It is the sound that emanates from the surroundings and hampers the listening process. The medium also sometimes disturbs the process. b) Psychological Noise : Sometimes, mental disturbance hampers the communication process. Various problems arise at a time when psychological noise troubles either the sender or the receiver. Some of the common types of psychological noise are mental turbulence, anxiety, tiredness, ego, preconceived ideas, pre-occupation, frustration etc. These are mostly involuntary. However by entering into Question/Answer sessions or by motivational measures these may be avoided/reduced.

3.4 Other drawbacks There are some potential problems in two-way communication. It can cause polarization, defensive reasoning, cognitive dissonance and face-saving. Many environmental or situational and organisational factors affect the communication process. Environmental factors may be educational, sociological, political, legal, economic and geographical. Time is a situational factor that affects communication. Organisation structure, layer system managerial approach and technology are the organisational factors that affect communication. To avoid these potential problems the following steps may be taken to have an effective communication.

- 1) To have a clear idea about facts, opinions, information etc. on the part of the communicator.
- 2) To secure the participation of other persons involved in the decision to communicate a message.
- 3) To decide what to communicate, with whom to communicate, when and how to communicate.
- 4) To prepare the subject matter of communication in a suitable language (encoding).
- 5) To select a suitable medium for the transmission of message.
- 6) To transmit the message to the identified communicatee.
- 7) To ensure the correct interpretation of the message by the communicatee.
- 8) To motivate the receiver to behave as desired by the sender.
- 9) To evaluate the effectiveness of communication through response and feedback.
- 10) To evaluate the nature of impact of the communication.

36 3.5 Sample Questions Short Answer Type Questions 1) What is the simplest model of communication process? 2) What do you mean by 'Noise' in communication process? 3) What are the potential problems of two way communication process? 4) Give a diagram of the communication process model. 5) What are the remedies of noise? Long Answer Type Questions 1) Discuss both way communication. 2) State the process of communication. 3) Explain the steps in developing effective communication. 4) What are the six phases of communication? 5) Discuss the essentials of good communication system. Objective Type Questions 1) There are a) ten b) four c) five d) six phases of communication. 2) The idea in a communication is encoded by the a) receiver b) superior c) communicator d) web-master 3) The simplest model of communication has got a) three b) six c) four d) two elements 4) In a communication, message is decoded by a) technical expert b) a media-man c) receiver d) manager 5) Process of communication is a) Multiway b) six way c) two way d) one way

37 Structure 4.0 Objectives 4.1 Introduction 4.2 Communication Barriers 4.2.1 Perceptual difference 4.2.2 Language difference 4.2.3 Restrictive Environments 4.2.4 Distractions 4.2.5 Deceptive tactics 4.2.6 Information overload 4.2.7 The tendency to evaluate 4.2.8 Reluctance to listen 4.2.9 Insecurity and lack of courage 4.2.10 Fear of being discarded 4.3 Classification of the barriers to Communication 4.3.1 External Barriers 4.3.2 Organisational Barriers 4.3.3 Personal barriers 4.4 Gateways in Communication 4.4.1 4.4.2 4.4.3 4.4.4 4.4.5 4.4.6 4.4.7 4.4.8 4.4.1 Listening with understanding 4.4.2 Communication through-a moderator 4.4.3 Checking the tendency to judge 4.4.4 A minimum baseline of confidence 4.4.5 Adopt an audience Centered approach 4.4.6 Foster an open communication climate 4.4.7 Modify the number of organisational levels 4.4.8 Facilitate feedback 4.4.9 Commit to ethical communication Unit 4 ppppp Barriers and Gateway in Communication

38 4.4.10 Create lean efficient messages 4.4.11 Fine-tuning business communication skills 4.5 Sample Questions 4.0 Objectives This unit is devoted to analyse what are the barriers in communication, how they crop up, the classification of these barriers, the steps to be taken to remove these barriers and to open up the gateway to communicate.

4.1 Introduction Communication is effective when the receiver understands the message as intended by the sender and initiates action or changes, approach and attitude as envisaged by the communicator. However communication is not that simple and smooth process as it appears to be. On many occasions some steps in the process get blocked by some sort of external and internal interference. In the process, the message gets distorted or lost. This interference can be caused by a variety of Communication Barriers. Common barriers to effective communication include perceptual and language differences, restrictive environment, distractions, deceptive tactics message overload.

4.2 Communication Barriers 4.2.1 Perceptual difference No two persons are absolutely alike. Their perception of reality are also different. When two persons communicate about the same event, their reportings are not identical, because their mental images of the event vary. As a sender, one person choose the details that seem important to him. As a receiver the other person gives importance to other details. When the details do not reconcile the communication gets distorted.

4.2.2 Language difference Language is an arbitrary code that depends on shared definitions. But the two persons may not exclusively share the same meaning of a given word. The most accepted meaning of the word 'homely' is domestic. But it is also used in bad sense as "unpolished". There is every likelihood of clash in communication because of different meanings and applications of the same word. The same pronunciation of two different words also causes noise in communication.

4.2.3 Restrictive Environments Communication is a continuous process. When the communication originates it has a

39 particular message but as it travels all the way up or down the Chain of authority, it may bear little resemblance to the original idea. The communication climate suffers when information is distorted, fragmented or blocked by an authoritarian style of management. Consequently, lower level employees get the fragmented or 'limited message which is thought to be adequate to perform their own isolated tasks. Communication gets suffocated in the restrictive environment. 4.2.4 Distractions The Receiver is more likely to receive the message accurately if there is no physical interruption or emotional distraction. But these things do happen and create barriers. to communication. If the telephone line is disturbed, acoustics are poor, photocopy is illegible; lighting is poor or if there is any health problem, communication suffers. Emotional distractions can also disturb the flow of communication. If the sender is emotionally upset, hostile or aggressive or fearful or ashamed he finds it difficult to encode the message properly. If the receiver is emotional, he may also ignore or distort the message. 4.2.5 Deceptive tactics Deceptive communicators may exaggerate benefits, quote misleading statistics or hide negative information behind an optimistic attitude . .They may state opinions as facts, leave out crucial information or portray graphic· data unfairly. They may seek personal gain by making others look better or worse than they are. These deceptive tactics to manipulate receivers blocks communication and ultimately lead to failure. 4.2.6 Information overload Today's business people are plagued by message overload. Crucial news information, instructions, guidelines, directives, reports-all these lead to distracting number of the messages. The senders expect immediate answers to these messages. Message mania itself is creating a baffling barrier to communication. 4.2.7 The tendency to evaluate We all have a natural urge to judge evaluate, approve or disapprove another person's statement. Although making evaluation is common in almost all conversation, this reaction is heightened in situations where feelings and emotions are highly involved. Impulse to evaluate any emotional meaningful statement from our own view point blocks interpersonal communication. 4.2.8 Reluctance to listen Most of the people are afraid to listen because what they hear might make them change their approach and attitude. Pressure of time is another factor that aggravates receiver's

40 reluctance. Listening carefully takes time and managers have little of that to spare: In today's business culture with the emphasis on speed, hard-pressed manager hardly finds time for the slower art of one-to-one communication. The biggest block between two persons or two groups is the inability to listen to each other intelligently and skillfully. In the modern world this deficiency is widespread and appalling. 4.2.9 Insecurity and lack of courage One more barrier in this era of mergers, acquisitions and delayerings is insecurity and fear it breeds. When down sizing and lay offs loom, the employees and the managers have good reasons for not opening up, especially when people believe that their true feelings or beliefs may get them fired. 4.2.10 Fear of being discarded Communication fails, when one party does not feel free to express his feeling, when he knows that the other party will not accept his views even when his views are quite valued. This happens particularly in the communication between the boss and the subordinates, a dominating father and obedient son. Communication is facilitated when both the parties are willing to express free-ly and accept differences. 4.3 Classification of the barriers to Communication Theo Raimann has classified the main barriers into four groups. These are a) barriers due to organisational structure; b) barriers caused by status and positions c) barriers caused by language and d) barriers arising out of general inclination to resist change. Mcfarland has suggested to classify the main barriers into a) unsound objectives; b) organisation of blocs; c) semantic blocks and d) human relations problem. On an analysis of all these blocks and, groups barriers have been classified into three categories : a) external b) organisational and c) personal. 4.3.1 External Barriers I) Semantic barriers. We have discussed this under item No. 4.2.2 (Language differences). This crops up in the process of encoding or decoding words. The words sometimes fail to convey the desired meaning. i)

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Badly expressed message Lack of clarity and brevity in a message makes

the message badly expressed. Poorly chosen words and phrases, unintended omissions, awkward sentence structure, improper use of punctuation, inadequate vocabulary are the common faults in badly expressed message.

41 ii) Faulty transactions Managers receive various types of communication from various sources. But these communications an not be. further communicated verbatim. Messages are to be properly transiated into proper language according to the receivers of these communications. Language tone will vary for the subordinates, peers and the superiors. Besides, message is to be properly framed according to the channel of communication. This needs a high level of linguistic capacity. Misunderstanding or average level of understanding of words and consequent faulty transactions lead to block the communication. iii) Unclear assumptions There are certain underlying assumptions behind almost all the messages. The messages may be specific but the underlying assumption may not be clear. This put the receiver in an awkward situation. iv) Specialist's language The technical personnel and the special groups tend to develop a special, peculiar and technical language of their own. This· increases their isolation from others and builds a communication barrier. 2. Emotional or Psychological Barrier

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The meaning ascribed to a message depends upon the emotional and psychological status of the

sender and the receiver. If both of them do not have the same wave length, the external message will be received but the inner message will not be. appreciated and hence communication will suffer. Some of the emotional barriers are as under i) Premature evaluation

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Premature evaluation is the tendency of prematurely evaluating communication, rather than to keep an uncompromised position during the

inter change.

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Such evaluation stops the transfer of further information and gets a sense of futility in the sender.

ii) Inattention The preoccupied mind of a receiver prevents him from proper listening and results in ineffective communication. iii) Loss by transmission and poor retention During the process of passage through various levels in the organisation, the original message is hardly retained. In case of oral communication 30% of the information gets lost in every transmission. In the case of written communication also, meaning and interpretation gets a different turn. 42 iv) Undue reliance on the written word Most of the communications in the organisation are written and formal. But written word is no substitute for sound face-to-face communication. Besides, for a good number of employees written communication can be above the level of readership. Moreover it is difficult to ascertain the feed back from written communication. v) Distrust of Communication If the receiver of the communication loses his confidence in the Communicator, because of earlier incidents of changing decision, failure to keep the commitment etc., communication would be absolutely futile and no initiation of any act or change of attitude would be noticed. 4.3.2 Organisational Barriers The organisation structure has an important impact on the ability of the members to communicate effectively. Because of increasing complexity in the structure, the process of communication is getting stumbled. Similarly if the organisation policy is not supportive to free flow of information in different directions communication would be hampered. i) Organisation rules and regulations If the rules and regulations of the organisation are conservative and the organisation itself is a closed one, flow of certain informations may be restricted. The organisation may also prefer some particular channel or layer which delays the transmission of messages. This acts as an imposed barrier in communication. ii) Status relationship The placing of people in superior subordinate-capacity in the-organisation

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structure blocks the flow of communication particularly in the upward direction. Greater the gap between different hierarchical positions,

stronger are the barriers of communication. iii) Complexity in organisation structure In an organisation with different layers and levels, communication gets delayed. The chances of distortion of the message also increase with increase in the number of filtering points. 4.3.3 Personal barriers As communication is basically an interpersonal transaction, some personal barriers do block the flow of communication. These barriers affect not only down ward and upward communications but also horizontal and diagonal communications.

43 (a) Barriers in superiors The role of superiors in communication is very vital. Because of their hierarchical relationship with subordinates, their communications, intentionally or unknowingly, create some barriers. i) Attitude of superiors The superiority complex of the superior fa the basic barrier of their communication to the subordinates. Added. to that if their attitude is unfavourable and approach is cold, their communication is bound to suffer. ii) Fear of challenge to authority The superiors generally maintain a safe and enigmatic distance from the subordinates. They tend

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to withhold the information coming down the line or going up, as frequent passing of information may weaken their

position. iii) Insistence on proper channel The superiors have a general tendency to be in the official communication links. They believe in chain authority and in unity of command. Informal communication and skipping of levels may sometimes be more informative to the superiors, but they treat it in a different manner and the process of communication suffers. iv) Lack of confidence in subordinates Superiors generally suffer from a perception particularly when the superior holds the position incidentally or accidentally - that their subordinates are less competent and capable, that they do not have any access to information coming downward. v) Ignoring communication When the subordinates observe that the superiors consciously and deliberately ignore the communication flowing from them, the subordinates prefer to withhold any communication in future. vi) Lack of Awareness Superiors may lack the awareness about the significance and usefulness of communication in a particular subject or in general. So they may not evince any interest in such communication, either as sender or as receiver. (b) Barriers in subordinates Vertical communication in either direction can take place only when the subordinates also actively and effectively participate in communication. Apart from the role of attitude, lack of time, awareness about significance, lack of confidence, fear of challenge to authority and ignoring communication, which are applicable to superiors also, there are two other traits in the behaviour of the subordinates, which block their communication.

44 i) Unwillingness to communicate Sometimes subordinates do not communicate certain information, upward, because of their unwillingness. They feel that they may be adversely affected by a particular piece of information to their superiors. Even if there is a compulsion on the part of the subordinates to convey some information, they would modify it in such away that their own interest is protected. ii)

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Lack of proper incentive Lack of proper motivation to communicate also refrains the subordinates from communicating

upwards. The reward and punishment system of the organisations, particularly in the Govt. Departments. and Govt. undertakings hardly takes any cognizance of this aspect. The superiors do not evince much interest in a novel suggestion from a subordinate nor they appreciate important information from a subordinate about some sabotage likely to be attempted by some of the insiders. This lack of incentive and appreciation creates mental block in the flow of communication. In the area of horizontal communication the egoistic and dominating approach of one or two peers prevent other members from participating in communication. Lack of awareness about the other areas of operation also hampers effective participation in the deliberations. After collective decisions have been taken implementation and confirmation get unnecessarily delayed because the co-ordinating and monitoring authority is one of the peers and not a superior authority. In the diagonal communication also, people feel restrained to respond when the sender is a highly superior authority, much above the level of the regular reporting authority. When the communicator is a subordinate and is required to give some information directly to a much higher authority, skipping the levels, he also filters and communication gets distorted.' 4.4 Gateways in Communication We have so far discussed the barriers in communication both in the general category and also in the classified categories. Some of them are quite complicated, some are not that complex but cannot be ignored. It may not be possible to absolutely eliminate these barriers, but that should not deter us from finding some suitable managerial actions to address these barriers. 4.4.1 Listening with Understanding To avoid evaluative tendency we will have to listen with understanding and with empathy. It is not as easy as it sounds. But it is the most effective way to altering a person's basic

45 personality structure and improves the person's relationship and communication with others. Empathetic understanding is really effective. 4.4.2 Communication through a Moderator When the emotions are heightened, discussion with another person becomes difficult. However communications through a moderator who listens non-evaluatively and with understanding has proven effective, even when feelings run high. The moderator can deal with the insincerity the defensive exaggerations, the lies and the false points that characterises every failure in communication. 4.4.3 Checking the Tendency to Judge Checking the natural tendency to judge yields a better understanding of the person with whom we are communicating. Greater diversity in the present complex environment makes disciplined listening more important -because the potential for misunderstanding is greater. By suspension of assumptions and judgements, a manager can get to the heart of an employee's feelings. The manager must recognize that to make judgement, you must suspend judgement. 4.4.4 A Minimum Baseline of Confidence A minimum baseline of confidence is needed to evoke the kind of trust that honest communication requires. It is the responsibility of both the communicator and the receiver to instal that confidence in the other party by rational display of dependability sense of responsibility, receptivity and sincerity. 4.4.5 Adopt an-Audience Centered Approach Adopting an audience centered approach means focussing on and caring about the audience. Every effort is to be made to get the message across in a way that is meaningful to the audience. To achieve this, the communicator must know the receiver—his biases, education, age, status and receptive capacity. By writing and speaking from the view point of the audience, we can help them understand and accept our message. 4.4.6 Foster an open Communication Climate Organization's communication climate is a reflection of its corporate culture. Successful companies encourage employee contributions by making sure that communication flows freely down, up, and across the organization chart. They encourage candour and honesty and their employees feel free to confess their mistakes, disagree with the boss, and express their opinions. 46 4.4.7 Modify the Number of Organisational Levels One gateway to foster an open communication climate is to reduce the number of levels in the organisation's structure. The fewer the links in the communication chain, loss of the message by transmission will be less and retention of the content will be more. Flatter organisations enable manager to share information with colleagues and employees and to include employees in decision making, goal setting and problem solving. 4.4.8 Facilitate Feed Back Giving the audience a chance to provide feed back is crucial to maintaining open communication climate. Feed back should be specific and not general. Feed back should be retained as impersonal and job related – Nobody should be criticized personally. Feed back should be goal oriented and well – timed. The receiver of the feed back must properly understand the feed back and make proper use of the feed back. 4.4.9 Commit to Ethical Communication Ethical Communication includes all relevant information is true in every sense and is not deceptive in any way. An ethical message is accurate and sincere. It avoids language that manipulates, discriminates or exaggerates. When communicating ethically, the communicator does not hide negative information behind an optimistic attitude nor state opinions as facts. The communicator must be honest with employer, co-workers and clients. Against this background, ethical communication will do away with the barriers in communication. 4.4.10 Create Lean Efficient Messages Lean and efficient messages enhance the the audience's ability to concentrate on the most important data. Successful communicators overcome information over load and other communication barriers by reducing the number of messages, minimizing distractions and fine tuning their business skills. Holding down the number of messages reduces the chance of information overload. Elimination of physical and emotional distractions will contribute to removing the barriers in communication. 4.4.11 Fine-tuning Business Communication Skills Different types of Communication skill training like handling oral communication situations, training in electronic means of communications develop the skill in business communication. Continuous practice helps improving communication skill. Constructive criticism and focus on building skill in (he weak areas improve the communicator's skill. With improved skill in business communication, it becomes easier to remove the barrier in communication and open up the gateway to efficient communication. 47 4.5 Sample Questions Short Answer Type Questions 1) What do you mean by

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barriers to communication? 2) What are the common barriers to effective communication? 3) How language difference cause barrier to communication? 4)

What are the common distractions in communication? 5) What are the external barriers in communication. 6) What do you understand by gateway in communication? Long Answer Type Questions 1) Discuss the barriers in communication. 2) What are the classification of barriers to communication? 3) What are the organisational barriers? And how these barriers can be removed? 4) Discuss the personal barriers to communication. 5) Discuss the common barriers in communication. 6) Discuss the steps to be taken to open up gateway in communication. Objective Type Questions 1) To make judgement, you must suspend a) verdict b) justice c) opinion d) judgement. 2) Poor acoustics is a type of (a) organizational (b) Personal (c) External distraction. 3) Message mania is a gate way / barrier / effective-instrument in a communication. 4) The biggest block between two persons a) is to tolerate each other non b) to understand each other c) mutual enmity d) to listen to each other. 5) The managers do not open up because of a) poor vocabulary b) insecurity c) lack of awareness. 6) Barriers to communication are caused by a) noise b) misunderstanding c) lack of awareness d) external or internal interference.

48 Structure 5.0 Objectives 5.1 Introduction 5.2 Plan the business writing properly 5.3 Multi stepped process of business writing 5.4 Appreciate the importance of purpose in business writing 5.5 Develop an Audience profile 5.6 To satisfy audience's information needs 5.6.1 Find out exactly what the audience wants to know 5.6.2 Provide all required information 5.6.3 Be sure the information is accurate 5.6.4 Be sure the information is ethical 5.6.5 Be sure the information is pertinent 5.7 The importance of Channel and Medium 5.8 Don'ts of business writing 5.8.1 To avoid using 'you' and 'yours' in business writing 5.8.2 Do not focus on the cloud 5.8.3 A void using words with negative connotations 5.8.4 Avoid delay in correspondence 5.8.5 A void biased language 5.8.6 Delete unnecessary words and phrases 5.8.7 Avoid using any type styles 5.9 How to make the business writing more effective 5.9.1 What is good organization? 5.9.2 How good organisation is achieved? 5.9.3 Composing and shaping the message 5.9.4 Controlling style and tone 5.9.5 Selecting the best words Unit 5 ppppp Do's and Don'ts of Business Writing

49 5.9.6 Creating effective sentences 5.9.7 Developing coherent paragraphs 5.9.8 Moving beyond the first draft 5.10 Sample Questions 5.0 Objectives After reading this unit, one will be able to : 1) Plan the business writing properly 2) Describe the multi stepped writing process 3) Appreciate the importance of purpose in business writing 4) Justify the importance of the audience 5) Understand how to satisfy audience's information needs 6) Recognise the importance of channel and medium 7) Make-out the lapses to be avoided in business writing 8) Summarise the process for making business writing effective. 5.1 Introduction Business audience of today is being exceedingly exposed to increasing number of varied business writings. To draw his attention in the midst of countless messages, our messages should be livelier, easier to read, more concise and more interesting. To induct. these features into the communication, one will have to cultivate some of the do's and don'ts according to the situation, audience and purpose of the writings. While doing so, one need not resort to dramatic technique, nor exhibit his knowledge and vocabulary. To compete for attention, business messages must be purposeful, audience-centered and concise. 5.2 Plan the Business Writing Properly Purposeful : Business message (writing) either provides information, or solve a problem, or request for the resources necessary to accomplish a goal. Every business writing must have a specific purpose. Audience Centered : Business messages help audience to understand an issue, ask them to collaborate or accomplishing a goal, or persuade them to take some action. So every message one prepares must consider the audience's background, point of view, and needs. 5.3 Concise : Business writings respect everyone's time by presenting information clearly, concisely and efficiently. So every message should be as short as it can be, without jeopardising the message. 5.3 Multi Stepped Process of Business Writing To make the business writing effective, one may opt for three stepped writing process. Planning : One should think about the fundamentals of the message. The purpose of the writing should be communicated in the message. He should undertake an analytical study of the audience so that the message can be tailored to their needs and expectations. In the next step, message is to be adapted to the selected channels and medium, that suit one's needs and also the needs of the audience. This will help to establish a good relationship with the audience. Writing : Once the message has been planned, ideas are to be organised systematically and the first draft is to be prepared. At this stage thoughts are to be committed to words, sentences and paragraphs are to be created. Completing : After writing the first draft, further review is to be done about the content, the style, the structure and readability. The details such as grammar, punctuation and format should be properly edited. Next the message is to be put into the form that the audience will receive. Finally, the final draft is to be proof read, and the message is to be completed. 5.4 Appreciate the Importance of Purpose in Business Writing Define the purpose : Besides the general purpose of informing, persuading and collaborating, every business writing has a specific purpose. This specific purpose should be precisely stated, even identifying which audience members should respond. Too many business messages may not serve any practical purpose. Writing useless messages destroy the credibility of the originator of the message. Even after the message is completed, nothing prevents us from deferring message or not sending it at all, if, | The purpose is not realistic | The timing is not right | The Communicator is not the right person to deliver the message | The purpose is not acceptable to the organisation.

51 5.5 Develop an Audience Profile Knowing the customer is an effective tool in our hands today to develop the audience profile. Who are the receivers of the business writings? What are their attitudes? What do they need to know? Why should they care about our messages? The answers to such questions indicate what we will have to cover in our writings. When we are writing to somebody, whom we know well, audience analysis is relatively easy. But when we are to communicate to someone or a group who are strangers, we will have to learn about the members of our audience, so that we can adjust our message to serve them properly. To this end, we shall have to; Identify the primary audience : If we can reach the decision- makers and the opinion moulders in the audience, other members of the audience will fall into place. So identifying the primary audience would generally take care of the other members of the audience. Determine the audience size : Business writing for wider distribution requires a more formal style, organization and format as against one directed to a few persons in the department. Besides, particular concerns of key individuals should be properly addressed. Determine audience composition : To develop audience profile, we have to look for common denominators that tie audience members together across differences in culture, education, status or attitude. Some references are to be included in the message that touch on everyone's area of interest. Gauge audience's level of understanding : If audience members share our general background they will understand our message without difficulty. If the audience members do not have the same level of understanding, it is desirable to gear our coverage to the primary audience (the key decision makers). Project audience's expectations and preferences : Whether the members of the audience expect complete details or a summary of the main points would suffice? Do they expect a e-mail or want a formal memo? Correct projections would contribute to getting the message across the different members of the audience. Estimate audience's probable reaction : Audience reaction, affects message organization, when we are expecting a favourable response, we can state conclusions and recommendations upfront, and other minimal supporting evidence. When expecting a skepticism, we can introduce conclusions gradually, with more proof.

52 The informal methods for gathering information are as under : Considering other's view points : To put ourselves in others' position to consider what they might be thinking, feeling or planning. Reading reports and other company documents : Company's files may be a rich source. of information we need for a particular memo or message. Company's annual reports, financial statements, news releases, bulletins, customer survey reports are other available documents for helpful information. Informal discussion with supervisors, colleagues or customers : Fellow workers and customers may have information, we need. They may also know what our audience. will be interested in. Asking audience for input : There is nothing wrong in directly asking our audience what are their information needs. Through casual information, and unofficial interviews these inputs may be obtained. One of the most essential do's in business writing is determining reader's information needs and then responding to them effectively.

5.6.1 Find out exactly what the audience wants to know In many cases audience's information needs are very specific. But sometimes the information needs are vague. In such cases we may request for the specific need of the audience. Otherwise by our experience and some presumption we may furnish a little more information to the audience.

5.6.2 Provide all required information Once all required information needs of the audience are defined we should provide these needs in our business writing completely. To test the thoroughness of the message it should put to questions like who, what, when, where, why and how. If all these questions are adequately answered in the message, we can say the message is complete.

5.6.3 Be sure the information is accurate Answering the questions of the audience would be a futile exercise, if the answers are wrong. The organisation/company is legally bound by the promises we make, and responsible for our statements. So before passing we should make it certain that the information we are providing is accurate and that the commitments we make can be kept. Double checking everything whatever we have written will minimise our mistakes.

5.6.4 Be sure the information is ethical Honest mistakes are certainly possible. But there is no excuse for deliberate omissions or commissions. Even after taking all precautions to answer some information needs

53 correctly, if later on it is observed that the information was incorrect the most ethical thing for us to do is to contact the specific primary audience and correct the error. But for deliberate and intended lapses the company or the organization would be unknowingly exposed to unwelcome situations. There may be legal or other sound business reasons for not including every detail about every matter. But there should be an ethical background as well, to hold back such information. 5.6.5 Be sure the information is pertinent While responding to audience's information needs, we should identify what points will especially interest the audience and then give those points maximum attention. The knowledge of our audience members helps us to figure out what will most interest them. 5.7 The importance of Channel and Medium Before starting the business writing we must find out how to make it serve both our audience and our purpose. To accomplish this we have to select a channel and a medium. Appropriate selection of the channel and the medium can make the difference between effective and ineffective business communication. Since we are discussing about business writing, we confine ourselves to written channel. The written channel includes media such as letters, reports, e-mail, faxes, telex and so on. What ever channel and medium we choose, it should match the message and the intention. Channel and medium also govern the style and tone of the message. The level of formality differs from an e-mail message to a letter. The more complicated the message, the richer is the medium required. Every medium influences the audience's perception of our intentions. When we want to emphasize the formality of a message, we use a more formal medium, such as memo or a letter. Time and cost also, affect medium selection. If the message is urgent we should fax it, instead of sending by regular mail. When choosing the appropriate medium, we should also remember the receiver's expectations. 5.8 Don'ts of Business Writing So far we have discussed the do's of business writing. But there are some don'ts also which should be avoided to make the business writing effective. 5.8.1 To avoid using 'you' and 'yours' in business writing By using this we may sound dictatorial. It may make someone feeling guilty. It may go- against the style of the organization.

54 5.8.2 Do not focus on the cloud Instead of stressing on what we can do and what we will do, we should not focus on what we have not done, we can not do or we would not do. Even bad news may be more acceptable by focussing on some redeeming feature. 5.8.3 Avoid using words with negative connotations Using words that might hurt or offend the audience does not serve our purpose of proper communication. It is preferable to use euphemisms (mild terms) for those that are unpleasant. We can be honest without being harsh. Gentle language would not change the facts, but it will make them more acceptable. 5.8.4 Avoid delay in correspondence One simple and effective courtesy is to be prompt in correspondence. Where possible, it should be attended to within two to three days. If it needs more time, a brief note may be sent mentioning that we are working on an answer. Most people are willing to wait if they know how long the wait will be. 5.8.5 Avoid biased language It helps avoiding unethical, embarrassing blunders in language related to gender, race, age and disability. We should avoid sexist language by using the same label for every one. We should eliminate references that reinforce racial or ethnic characteristics. There is no necessity of referring to an individual's age or physical limitations unless these are relevant. 5.8.6 Delete unnecessary words and phrases Some combination of words have more efficient, one-word equivalent. Clutter of too many or poorly placed relative pronouns, and excessive use of articles hamper the progress in communication. 5.8.7 Avoid using any type styles That inhibits audience's ability to read the message. Underlining or using all upper case letters can interfere with reader's ability to recognize the shapes of words. Bold face or italicized type can slow down the reader. Some of the other types, hinder legibility. The size of the type should be proportionate to the importance of the message and the space allotted.

55 5.9 How to make the business writing more effective All business communicators face the challenge of writing messages that the communicatee can easily understand. People do not appreciate isolated ideas, unrelated facts or figures. So good organization is the base on which effective business writing can be structured. 5.9.1 What is good organization? Good organization means creating a linear message that proceeds point by point. In a well organized business writing, all the pieces fit together in a coherent pattern. Good organization helps the audience to understand the message and to accept the message. Well organised messages are efficient, precise and relevant. They satisfy audience's need for information. 5.9.2 How good organisation is achieved? Good organization is achieved by; a) defining the main idea b) limiting the scope c) grouping the points d) choosing the direct or indirect approach. The broad subject of a message is the topic and the main idea makes a statement about the topic. The scope of the message must match the main idea. A good way to visualize how all the points will fit together is to construct an outline. We are to start with the main idea. The main idea is (1) what we want our audience to do or think and (2) why they should do so. In the next step we are to identify some major points that support and clarify the message in more concrete terms. Subsequent to this, major points are to be illustrated by specific evidences : The more evidences, we provide, the more conclusive will be our communication. After focussing on the main point, identifying the major points and providing enough specific evidence, the stage is set to present the points in a particular sequence. The sequence may be direct approach or indirect approach. In the direct approach the main idea (recommendation, conclusion or request) comes first. It is followed by the evidences. In the indirect approach, the evidences come first, followed by the main idea.

56 5.9.3 Composing and shaping the message Once the planning process and organizing the message are over, composition of the message starts. It is the process of drafting the message. When all the thoughts and ideas have been jotted down, message is 'to be properly shaped. 5.9.4 Controlling style and tone Style is the way we use words to achieve a certain tone or overall impression. The style may vary on the nature of the message and relationship with the reader. The tone may vary from informal to conversational to formal. Most business messages aim for a conversational tone, using plain language that sounds business like without being stuffy, stiff, wordy or full of jargon. To introduce this conversational tone we should avoid. a) obsolete and pompous language b) intimacy c) humour d) preaching and bragging 5.9.5 Selecting the best words To compose effective business writing, we must choose our words carefully. Correctness is the first consideration when choosing words. Effectiveness is the second consideration, Correct grammar enhances the image of the communicator. In business writing, words with negative communications should be avoided. 5.9.6 Creating effective sentences Words do not make much sense until they are combined in a sentence to express a complete thought. Once the sentence is constructed, it can be further improved by exploring the possibilities. The sentence style may be used to emphasize key thoughts by giving some parts of the sentence more space, putting them at the beginning or at the end of the sentence, making them the subject of the sentence. 5.9.7 Developing coherent paragraphs A paragraph is a cluster of sentences all related to the same general topic. It is a unit of thought, separated from other units. Each paragraph is an important part of the whole, a key link in the train of thought. Along with the composition of the message the placement of the paragraphs and their relationship to one another should also be thought of Paragraphs may be further developed by (i) illustration (ii) comparison or contrast (iii) cause and effect (iv) classification and (v) problem and solution.

57 5.9.8 Moving beyond the first draft The first draft of the message is rarely good enough so the first message should be further reviewed and refined before sending. Even after written message is fine tuned, the content, organization, style and tone should be further evaluated. The readability of the message should. be reviewed. The message may have to be further edited and rewritten for clarity and conciseness. Completing of the message consists of three tasks : revising, producing and proof reading. To complete the business message, we must also check its design and mechanics. 5.10

Sample Questions Short Answer Type Questions 1) What are the features of a message to draw the immediate attention of the business audience? 2) Describe the three stepped process of business writing. 3) What do you understand by audience-centred business writing? 4) When would you like to not send the message even when it is completed ? 5) What are the sources . to gather information to satisfy customer's information needs? Long Answer Type Questions 1) What are the steps to be taken to satisfy audience's information needs? 2) Discuss the don'ts of business writing. 3) What are the methods to make the business writing more effective? 4) What is good organisation? How good organization is achieved? 5) How do you plan business writing? Discuss in detail. Objective Type Questions 1) Every business message should be (a) business-oriented (b) sales-centered (c) audience-centered (d) profit-oriented. 2) A message should not be sent if (a) it is too long (b) it is hand written

58 (c) it is not on official letter head (d) the purpose is not acceptable to the organisation. 3) If any information is observed to be incorrect at a later date the best course is (a) to ignore it (b) to modify it in a subsequent message (c) to cover it by some means (d) to contact the specific audience and correct the error. 4) Whatever channel we use in our communication it should match the (a) message (b) the communicator (c) the receiver (d) the medium. 5) The primary audience in a group constitute the people (a) who first receive the message (b) the supervisory staff (c) the desk clerks (d) the decision makers.

59 Structure 6.0 Objectives 6.1 Introduction 6.2 Functions and importance of commercial letters 6.3 Style of commercial letters 6.4 Essentials of commercial letter 6.5 Form and arrangement of commercial letter 6.6 Three step writing process for commercial letter 6.6.1 Planning the commercial letter 6.6.2 Writing the commercial letter 6.6.3 Completing the commercial letter, 6.7 Kinds of commercial letters 6.7.1 Placing orders 6.7.2 Requesting information and action 6.7.3 Making claims and requesting adjustments 6.7.4 Requesting recommendation or references 6.7.5 Banking and insurance 6.7.6 Letter to government 6.7.7 Company matter 6.8 Sample Questions 6.0 Objectives After reading this unit, the different aspects of commercial letters would be more comprehensible. I Functions and importance of commercial letters. I Style of commercial letters. I Essentials of commercial letter. I Form and arrangement of commercial letter. Unit 6 ppppp Commercial Letters

60 | Three step writing process for commercial letters. | Kinds of commercial letters. 6.1 Introduction Letter is the most effective essential to communication, next only to face-to-face contact. The term "letter" refers to written or printed message from one individual to another institution or an individual on matters of common interest. Commercial letters mean message/communication of informations on matters relating to trade and commerce. The primary objective of a commercial letter is to open up good relation with the customers, maintain good relations and enhance that relation for further growth and development of business. An effective commercial letter is vital for survival in the midst of stiff competition in the business world.' 6.2 Functions and Importance of Commercial Letters The function of commercial letter is to open up and maintain the commercial relation, to initiate, conduct and conclude commercial transaction of different types. The functions of commercial letters are— 1) Introduction or opening up of commercial relation. 2) Maintenance and conclusion of commercial transactions. 3) Promotion and acceleration of commercial opportunities. 4) Achievement of success in commercial activities. Good commercial correspondence is considered as an important parameter of the functioning of a commercial organisation. The senior Corporate Writer in the corporate relations department of an organization is held in high esteem because of his / her silent contribution to the maintenance of a congenial relation of a commercial organization with its customers, suppliers, debtors, creditors, government authorities, media and the public at large. The importance of commercial letters may be gauged from the following points. i) Medium of communication at low cost Commercial establishments use both oral and written channels. through different media for communication. Out of these different media, letters are the means of communication at low cost. ii) Document of evidence Letters are considered to be the standard document of evidence to the commercial establishments. They are also accepted in the courts of law. 6.1 iii) Less possibility of errors Commercial letters are drafted with utmost care. So the possibility of error · which may be noticed in case of conversation is nominal. iv) Adequate security Letter is meant for the specific addressee, particularly when he mentions 'personal' and 'confidential'. It can be more secured by sending through fax. Speed can also be attributed in the process. v) Suitable for conveying any type of news The letters are suitable for any type of communication-routine, good news, good will messages, bad news-messages, persuasive messages. What can not be expressed orally can be expressed through letters. Unpleasant works like complaint against invoice, refusal of goods, collection of dues etc. can be smoothly performed through letters. · vi) Accurate handling of business problem Letter is the most valuable medium of handling any intricate business problem accurately and without any ambiguity. Even telephone- talks are confirmed by written statement for future reference and also to avoid dispute and ambiguity, vii) Creation of goodwill of a Commercial Concern The status and good will of a commercial concern can be ascertained by means of form and content, style and tone of commercial letters. The managerial efficiency of a commercial concern can also be measured by the letters originating or in response from their office. 6.3 Style of Commercial Letters While drafting the commercial letters, it should be remembered that the commercial letters differ from other letters in respect of subject matter and form. The style and tone- of these letters are to be decided-in tune with the subject matter. The commercial letters should be in plain and simple language. Unnecessary words and jargons should be avoided. Positive approach should be followed throughout. The rules of grammar and syntax should be properly complied with. Adequate-attention should be given on choice of words. Words should be chosen in such a way so that the exact meaning of the letter is conveyed to the receiver and there is no scope for any ambiguity. It is essential that the sense of modesty and courtesy should be expressed through out the letter. The language of the letter should be lucid and simple so that the addressee is not inconvenienced. The lay-out of the letter must be proper and attractive. The points of the letter must be arranged in logical sequence so that the letter becomes impressive to the reader. Finally the approach of the letter shall be positive and straight-forward.

62 6.4 Essentials of Commercial Letter a) Clarity : The first essential quality of a business letter is clarity of purpose and clarity of information need by the audience. The letter should be absolutely transparent without any ambiguity, The letter must be written in simple, clear and unambiguous language. b) Brevity : The author of the commercial letter must appreciate the value. of time of the receiver of the letter. So the letter should be brief, concise and to the point. In a long letter the purpose and the meaning may be lost in the midst of unwanted references and excesses. It may even antagonise the reader of the letter and finally lead to wastage of time. However clarity should not be sacrificed for the purpose of brevity. c) Courtesy : "Courtesy, costs nothing but pays a lot". The proverb is singularly applicable to a business letter. The letter must be courteous both in language and in spirit. A courteous communication goes a long way in establishing and maintaining good relationship with the customer and other-business associates. However while showing courtesy and modesty the writer should avoid exaggeration or flattery. d) Completeness : A commercial letter should be complete in all aspects. It must be specified dealing with the different needs of- the audience and giving complete answer to all the information needs of the customer. No fact or information should be left out. e) Correctness : The queries asked or replies given through the letter should be proper. Information intended to be conveyed should be correct and exact. This process would give ethical values to the commercial letter. To serve this purpose all queries should be made and information should be gathered. f) Reader-friendly : The letter should be reader" friendly, with proper space and font. Properly punctuated letter with correct use of grammar and syntax not only gives better image to the author, it also makes pleasant reading for the receiver of the letter.

63 6.5 Form and Arrangement of Commercial Letter The commercial letters should have a structural form and arrangement by means of which letters are made attractive. The main purpose is to compose a neat, orderly, reader- friendly and impressive letter. A commercial letter has generally six parts : a) Heading : Every commercial letter has a heading. Letters are generally written in the letter head of the company. The letter head will show (1) the name of the firm and the nature of business (2) address (3) telephone number, fax number, E-mail and website (4) telegraphic address (5) (a) reference no. (b) deptt. (c) letter no and date. A sample of complete heading is as given below : CALCUTTA ANTIQUES Specialist Collector of Indian Antiques 12 Camac St. Kolkata-700 016 Telephone : 033-2284-3219, Fax : 033-2284-3115 website.www.calcuttaantiques.com E-mail antiques@zee.net.com Telegram - CALANT Reference No. 241/Sales/31/04 November 21st, 2004 b) Inside Address : This consists of the name, designation: of the person and the name and address of the company to whom the letter is addressed. It is addressed to an individual, the name and address of the individual are to be furnished. This is written on the left hand top margin of the letter just above the greeting. As a matter of courtesy, a complimentary title is usually prefixed to the name of the addressee. This complimentary title is generally based on customs and usage. c) Opening salutation and greetings to the addressee : Greeting is the complimentary term usually used to begin with the letter. This varies according to the status of the addressee. In case of addressing firms and companies, greeting changes. d)

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Body of the letter : This is the most important part of the letter.

This has got three parts (i) opening (ii) body, (iii) Close. In the opening part, the main idea, the request, or the news are to be stated clearly. The body includes all necessary details. In the final part there should be cordial closing. The specific action as desired by the communicator should also be stated. A separate paragraph should be devoted to different parts. If different topics are taken up for presentation, it should be made up of paragraphs logically arranged. However it is desirable that each letter should deal with only one subject. e) Complimentary close : It is a simple and polite approach of ending the letter and formal leave taking. It contains the phrases expressing respect, obedience or regard of the writer to the addressee. It is usually written just below the body of the letter on the right hand side. f) Signature : It contains the name of the writer within the bracket and his signature between complimentary close and the name. Just below the name comes the designation of the writer.

64 g) Enclosures : If there are some documents such as cheque, invoice, bill, copy of contract, terms and conditions enclosed, these should be attached and put below the letter. These should be properly numbered and be mentioned at the bottom of the letter on the left hand side. h) Postscript : Postscript is additional information which is written at the bottom of the letter. Generally, it is written as a result of after thought. The 3 abbreviation P. S. is used to indicate it. Signature should be put after using P.S. To give the letter a pleasing finish and much needed relief to the eyes of the reader, margins should be provided on all the sides of the letter.

6.6 Three Step Writing Process for Commercial Letter
 Effective communication creates a positive impression and a positive impression gets more positive response to the purpose of the commercial letter. The three-step writing process contributes to instil this response in the mind of the reader.

6.6.1 Planning the Commercial Letter Whatever the type of the letter, irrespective of any situation or purpose, we need to analyse, investigate and adapt our messages. First thing to analyze is whether the purpose is specific and it is worth pursuing at the particular juncture. We are also to analyze the probable 'reaction of the receiver of the letter. Next to analysis, comes investigation. The author of the letter is to investigate what are the needs of the audience (the customer etc.) whether all the relevant information are at our disposal? Or whether we need some more time to gather' some more information? Once this is over, the letter is to be adapted to the reader. The appropriate format is to be selected. Finally, whatever the purpose and whoever the reader, the language should be positive and polite.

6.6.2 Writing the Commercial Letter Next to planning, we are to organise and compose the letter. The main idea should be fairly well defined. To limit the scope of the letter, we should stick to the main idea. Only relevant points are to be covered, grouping them in the most logical fashion. To conclude, the letter is to be closed cordially. While writing the letter, the important deadlines are to be emphasized with bold or italic type. Attention to important points is to be drawn with bullet points. A feeling of partnership with the readers of the letter may be established by a friendly and conversational tone. But any type of irony or sarcasm should be strictly avoided.

6.6.3 Completing the Commercial Letter Any type of commercial letter should be made professional by allowing plenty of time to revise, produce and proof read it. The letter may be revised to maximise overall effect. The content and the organization of the letter are to be evaluated to make sure that our purpose has been properly conveyed in the order in which we would like to convey. For the purpose of conciseness and clarity the letter is to be concisely edited. The types, errors in spelling and mechanics, alignment problems print quality etc. are all to be looked into to minimize if not to negate any negative impression.

6.7 Kinds of Commercial Letters The various types of commercial letters are numerable. However many of the letters we write, fall into some major categories as under :

- a) Placing orders
- b) Requesting information and action
- c) Making claims and requesting adjustments
- d) Requesting recommendation & references
- e) Banking and Insurance
- f) Letters to government
- g) Company matters.

6.7.1 Placing Orders Placing orders are considered as some of the simplest types of commercial letters. When placing an order, we are to just state our needs clearly and directly. Most of the orders refer to a product that the reader knows about. If we are not interested in filling up the computer generated form, we may start the letter with general request. In the middle we are to include the specific information about the items we want. The information should include the number/quantity, description, price per item and the total price per item and the total price delivery address should be specifically mentioned. How it is to be delivered should be mentioned along with the date/period by which it should be delivered. How the bill amount would be paid should also be mentioned in the letter.

6.7.2 Requesting Information and Action When making a request for information about something or someone, we should mention

- i) what we want to know,
- ii) why we want to know it,
- iii) why it is in the reader's

66 interest to help us. In this type of letter we are to start with a clear statement of our reason for writing. In the middle, we are to provide relevant points-justifying our re- quest. We may have to furnish the information how the reader would be benefited by providing the information. We are to close the letter with the specific account of what we expect and include a dead line for the purpose. 6. 7.3 Making Claims and Requesting Adjustments When we are dissatisfied with a company's product or service, we make a claim or request an adjustment. In such cases a courteous, clear, concise explanation will impress the reader much more favourably than an abusive, angry letter. Here we should start with a straight forward statement of the problem. In the middle we are to provide back up information for verification of the complaint about faulty merchandise or unsatisfactory service. In the closing, we should politely request specific action or convey a sincere desire to find a solution. It should be also clearly stated that the business relationship will continue if the problem is solved satisfactorily. 6.7.4 Requesting Recommendation or References The need to enquire about people often arises in business. Before, awarding credit, n contracts, jobs, scholarships, some companies ask applicant to supply references. If we are applying for a job and. the employer asks for reference, we may ask a close personal or professional associate to write a letter of recommendation. In such cases we may begin our letter by clearly stating about applying for a position and requesting. the reader to- write a letter of recommendation. If we do not have recent contact with the person for some time, we may open up recalling the nature of the relationship we had, the dates of association and any special events that may bring a clear, favourable picture of us to the mind of the reader. For further emphasizing about our favourable qualities we may provide the receiver of the letter with as much information about our qualification and eligibility for a job or a scholarship. The letter is to be closed with an expression of appreciation and the full name and address of the person to whom the letter should be sent. If immediate recommendation is needed, the deadline should be mentioned. We can make a response more likely if we enclose a stamped, preaddressed envelope.

67 6.7.5 Banking and Insurance While taking up with a bank, enquiring about the reason of dishonour of a cheque, even though sufficient funds were arranged for honouring the cheque, we should go for a direct approach. We should open the letter stating the fact that the cheque has. been dishonoured, men- tioning the reason as shortage of funds. In the middle, we should provide the relevant facts about how the funds were provided and there was no information from the Bank about no receipt of funds. While closing, we should request the bank furnish the reasons of dishonouring the cheque. We may also mention about how our goodwill in the market has been affected because of dishonouring the cheque. However, since we do not know what actually has happened, throughout the letter, we should be polite in our correspondence. 6. 7 .6 Letter to Government While writing to government department, we should be very particular about the speific authority and the department to whom the letter should be sent. If it is a case of loss or damage, we should furnish all the relevant information along with the copies of the evidences, retaining the originals with us. How the department is responsible for the loss and damage should be clearly stated. Since in the first letter, we are- expecting that our claim for compensation would be favourably considered, we should show courtesy and politeness throughout the letter and close the letter with a request for initiation of action. 6.7.7 Company Matter Letter on company matter should be generally addressed by the Company Secretary. The request of the addressee should be properly looked into and proper investigation should be made before sending any letter. For any statement which may later on found to be incorrect, the company would be held responsible. So before passing on any mes- sage, proper caution should be taken. If it is about allotment of the shares, the details about the face value, the premium . or discount if any, no of shares, the deadline of deposit of the allotment money should be correctly mentioned. Formal courtesy should be maintained in the letter with usual dosing.

68 6.8 Sample Questions Short Answer Type Questions 1) What is meant by postscript 2) What is layout of the letter? 3) What is a trade enquiry? 4) What is a quotation? 5) What are the different parts of a commercial letter? 6) What does the Heading of a commercial letter usually include? Long Answer Type Questions 1) Discuss three step writing process of commercial letters. 2) What are the qualities of a good business letter? Explain the objects and functions of a business letter. 3) Draft a letter placing an order with a supplier for supply of uniforms to. the drivers and conductors of a state transport corporation, mentioning that if order is not executed within 60 days, the order will be cancelled. 4) What are the essentials of a commercial letter? 5) What are the different types of commercial letters and what are the features of these types? 6) Design the layout of a commercial letter and discuss the style of commercial letter. Objective Type Questions 1) "Inside address" is the address of (a) the another of the letter (b) the Head Quarter of the Company (c) the reader of the letter (d) the authority whose instruct.ion the letter is being sent 2) "Layout" of the letter refers to (a) subject of the letter (b) request made in the letter (c) instruction given in the letter (d) proper arrangement of different parts of the letter.

69 3) Commercial letter is suitable for conveying- (a) any type of news (b) good news (c) bad news (d) routine news. 4) Courtesy should be exhibited in (a) letter asking for a favour (b) goodwill letter (c) letter of appreciation (d) any type of letter. 5) The most important part of a letter is the- (a) complementary close of the letter (b) the action desired in the letter (c) body of the letter (d) subject of the letter, 6) The organization of a letter means- (a) organization of the sender of the letter (b) organization of the receiver of the letter (c) organizing the principal idea, the relevant points and evidences in the letter (d) organizing drafting typing and despatch of the letter.

70 Structure 7.0 Objectives 7.1 Introduction 7.2 What is business report 7.3 Purposes of reports 7.3.1 Informational Reports 7.3.1a Reports for monitoring and controlling operations 7.3.1b Reports for implementing policies and procedures 7.3.1c Reports for complying with Govt. Regulations 7.3.1d Reports for documentary progress 7.3.2 Analytical Reports 7.3.2a Problem solving reports 7.3.2b Proposals 7.4 Classification of Business Reports 7.4.1 Voluntary of Authorized 7.4.2 Routine or Special 7.4.3 Internal or external 7.4.4 Formal and Informal 7.4.5 Statutory and Non-statutory 7.4.6 Ordinary and privileged 7.5 Applying the three step writing process to Business Reports 7.5.1 Planning 7.5.1a Analysis 7.5.1b Investigation 7.5.1c Adopting the Report to the Audience 7.6 Organizing business reports 7.7 Composing business reports 7.7.1 Drafting Business Report 7.7.2 Report Content Unit 7 ppppp Writing Business Reports

71 7.8 Completing Business Reports 7.8.1 Components of a Formal Report 7.8.1a Prefatory parts 7.8.1b Text of the report 7.8.1c Supplementary parts 7.9 Sample Questions 7.0 Objectives This unit focusses on 1) What is business report 2) Purposes of reports 3) Classification of business reports 4) Three steps writing process to business reports 5) Organizing business reports 6) Composing business reports 7) Completing business reports 7.1 Introduction Dell Computer Corporation of United States of America depends on more than 4000 types of analytical and informational reports to keep operations running smoothly. Data is the engine that keeps them on track and staying on track with accurate reports is one way by which Dell remains a leader in its industry. The management team in the corporation rely on well-planned reports that not only summarise and present carefully researched data but define problems, discuss pertinent issues and analyze information. As in Dell Computer Corporation, in other organizations also most managers rely on reports to provide information and analyses so that they can make decisions and solve problems. Any report whatsoever communicates about some aspects of the business. 7.2 What is business report A business report is a form of a precise and systematic statement of information relating to an event, progress or action or some business activity prepared by a person or group of persons after an inquiry, systematic study, or investigation and presented to the interested parties, without or with opinions or recommendations. This is a refined description of systematically developed business reports. But the term covers everything from a fleeting

72 image on a computer screen to preprinted forms to informal letters and memos to formal voluminous reports. So a business report is any factual objective document that serves a business purpose. 7.3 Purposes of reports Business reports can serve hundreds of purposes. But most of the reports are used for one of the six general purposes as detailed below. Informational Reports 1. Monitor and control operations 2. Implement policies and procedures 3. Comply with legal or regulatory requirements 4. Document work performed for clients. Analytical Reports 5. Guide decisions on particular issues. 6. Get products, plans or projects accepted by others. 7.3.1 Informational Reports Informational reports present data and facts without analyses or recommendations. These report include those for monitoring and controlling operations, statement of policies and procedures, compliance reports and progress reports. 7.3.1a Reports for monitoring and controlling operations Monitor/control reports help manager find out what is happening in the operations under their control. These reports focus on data, so they require special attention to accuracy, thoroughness and honesty of content. Monitor/control reports expose any problems that exist. Three types of reports used for monitoring and controlling operations are plans, operating reports and personal activity reports. Plan Plans help managers to i) Coordinates the various activities of a business organisation ii) guide the distribution of resources and-iii) motivate employees. There are different kinds of plans-strategic plans, Business plans, Marketing plans.

73 Operating reports Operating reports provide manager with detailed information from a management information system, which captures data about everything happening in the organisation- Sales, production, inventory, shipments, backlogs, costs, personnel, and so on. Periodic operating reports describe what has happened in a department or division during a particular period. Corporate annual reports are periodic reports that are formal and comprehensive. These recurring operating reports keep the managers up to date and provide the signals where corrective actions are necessary. Personal Activity Reports These reports describe what has occurred during a conference, convention, seminar or other activity. These are intended to report important informations or decisions that emerged during the ac~ivity. Expense reports, performance reviews, recruiting are other such documents which keep the management posted about the operational activities.

7.3.1b Reports for implementing policies and procedures Policy/procedure reports help managers communicate the company's standards. Some policies and procedures provide lasting guidelines for how things should be done. Other policies and procedures explain management's position on passing events.

7.3.1c Reports for complying with Govt. Regulations Compliance reports explain what a company is doing to confirm to government regula- tions. These reports should be honest, thorough and accurate. Many compliance reports are prepared on annual basis e.g. Income Tax Returns, profes- sional tax returns, Annual Share holders reports. There are some interim compliance report also, particularly in the Govt. undertakings like Report on implementation of official Language Policy, progress report on frauds; progress report on bad loans etc.

7.3.1d Reports for documentary progress Progress reports vary in importance- and complexity, When a progress report is being prepared, the needs of the reader should be given proper attention. The report should provide the required information clearly and tactfully. Progress reports are generally submitted on a regular basis-monthly or weekly or on a phased basis. Interim progress reports are followed by a final report at the conclusion of the contract or the project. The final report focuses on results rather than on progress.

74 7.3.2 Analytical Reports In addition to informational reports, managers rely on the supporting information, analyses and recommendations presented in analytical reports to make conscious decisions. Analytical reports require a. strong foundation of facts combined with good analytical insight and excellent communication skills on the part of the writer. An analytical re- port ends by presenting a decision or a solution to a problem or by recommending num- ber of actions. The body of the report presents all the facts (both good and bad) and persuades readers to accept a decision, accept an action or recommendations detailed throughout the report.

7.3.2a Problem solving reports When solving problems, managers need both basic information and detailed analysis to evaluate the possible solutions. Problem-solving reports provide such information and analyses. Trouble shooting reports are one type of problem solving reports. These reports usually start with some background information on the problem, then analyse alternative solutions, and finally recommend the best approach. Feasibility report is a problem-solving report that studies proposed options to assess whether any or all of them are sound. The report answers such question as will this. action work? Is it profitable? Is one action better than the other? The report may also conclude that a proposed action is not feasible because it is too costly to implement or because the advantages do not outweigh the disadvantages. The author or the report may ask for some alternatives, evaluate each report and present a recommendation for the most feasible one. Justification reports are similar to feasibility reports except for a timing difference. These reports are written after a course of action has been taken or after a decision has been made to justify the action or decision.

7.3.2b Proposals A proposal is a special type of analytical report designed to get products, plans, projects accepted by others. Proposals are an important type of job related report because their acceptance can lead to significant operational improvements, new business, additional jobs, safe working conditions. Proposals are usually submitted to the persons who are in authority and who take decisions. Proposal may be both internal or external Internal proposals are submitted to decision makers in one's own organisation. These proposal have two primary purposes : (1) to seek approval for a project or course of action or (2) to request additional resources. External proposals are submitted - to decision makers outside the organisation, such

75 as current or potential clients and govt. agencies. These proposals also solicit approval for projects or funds. Unlike internal proposals, external proposals form the basis of a contract if approval is granted, so they are to be prepared with extreme care. External proposals also compete for a client's business. So the proposal must be convincing to the readers that the author's organisation is the best source of a product or service. The external proposal should elaborately talk about the experience, qualifications, facilities and equipment. The proposal should also demonstrate that the reader's problem and need has been clearly understood. Solicited proposals Solicited proposals are generally prepared at the request of external parties. The external party prepares a Request for proposal (RTP) specifying the exact type of work to be done along with the guidelines on how and by when the company wants the work to be completed and invites to bid on the job: The solicited proposal is to demonstrate that the company participating in the bid is best qualified than competitors to handle the particular contract. Unsolicited proposals These are initiated by organizations attempting to obtain business or funding without a specific invitation from a potential client. The employees or managers of the company may also initiate such proposal by convincing the company to adopt a program, policy or idea. An unsolicited proposal must first establish that a problem exists in the potential client's company and then convince the reader that the proposal enunciated by the organisation is capable of solving the problem.

7.4 Classification of Business Reports

Apart from Informational and Analytical reports which we have discussed at length, reports may be classified in some other ways :

- 1) Voluntary or authorized
- 2) Routine or special
- 3) Internal or external
- 4) Formal or informal
- 5) Statutory and non-statutory
- 6) Ordinary and privileged.

7.4.1 Voluntary or Authorized Reports

are classified according to the source who initiates it. Accordingly voluntary or authorized are two types of reports. Voluntary reports are prepared on own initiative of the author. So they usually require more detail and support than authorized reports. Authorized Reports are authorized by some interested parties. They also give the guidelines how the reports should be prepared. Should it be with or without opinion or recommendations.

7.4.2 Routine or Special

On the basis of frequency these two types reports are made. Routine Reports are the reports which are generally prepared in a standard way. They are submitted on a recurring basis (daily, weekly, monthly, quarterly, annually). Because they are routine, they require less introductory material. Reports of sale, auditor's report are of this type. Special Report is prepared by an individual or a body who is entrusted with some special enquiry, one time studies, or investigations. It usually contains the opinions or recommendations supported by facts and argument e.g. Report on a fraud, study about a new financial product.

7.4.3 Internal or external

Internal and external reports are categorized according to target audience. We have discussed these two categories under analytical reports. Internal reports are designed for use within the organisation. External Reports are sent to people outside the organisation.

7.4.4 Formal and Informal

These two types are classified according to form and content. A formal report is drafted in a prescribed form and presented in the conventional procedure and through proper channel. Reports submitted by officials or by committees of various constituted bodies are usually formal reports.

7.4.5 Statutory and Non-statutory

The formal reports are of two types. Statutory and non-statutory. Statutory Reports are generally prepared and submitted in the prescribed form and procedures as laid down in statute. Some of these reports are submitted in the statutory meeting of the company for example. Auditor's Report which is submitted at the Annual General Meeting of the Company. Non-Statutory Reports are the reports which are not required under the provisions of any law but have to be prepared, for example, to help the directors to take decisions for exercising effective control and proper conduct of the business.

7.4.6 Ordinary and privileged

Ordinary reports are those reports which are prepared and presented at specific intervals in the usual routine of business. The Report of Directors to the Annual General

77 Meeting or Auditor's Report to the Annual General Meeting are the examples of ordinary reports. Privileged Reports are the reports which are immuned from the liability of slander or defamation. In the case of oral speeches, certain reports have been granted privilege. by law. Reports of proceedings in a Court of Law or press reports of public meeting enjoy "qualified privilege". 7.5 Applying the Three Step Writing Process to Business Reports As in the case of commercial letters' in the case of business reports also the three step writing process (d) planning (2) writing and (3) completing is quite beneficial. 7.5.1 Planning The planning tasks for reports fall into three categories: analysis, investigation and adaptation. 7.5.1a Analysis While writing reports, special attention is to be paid to analysis tasks such as defining the problem and developing the statement of purpose. The problem which is to be resolved through the report may be defined by the superiors or identified by the author of the report. Next to identification of problem comes the statement of purpose. The statement defines why the report is to be prepared. This purpose statement which identifies the objective of the report helps shape the scope of the report. Once the purpose statement is confirmed, it forms the basis of preliminary outline. The preliminary outline gives an idea of the entire report, the important points, the order in which the points will be discussed and the details to be included: However the final outline of the report need not conform to the preliminary outline. With a purpose and preliminary outline, we are to prepare the work plan for the report. The formal work plan for a report should include the following elements. a) Statement of the problem. b) Statement of the purpose and scope of investigation. c) Discussion of tasks, to be completed. d) Description of any product that will result from investigation. e) Review of project assignment, schedules and resource requirements. f) Plans for following up after delivering the report.

78 7.5.1b Investigation While writing a report, informational or analytical, we need to gather data on specific companies, industries, trends, products, events etc. For the purpose of investigation, we shall have to undertake the following six tasks. 1. Identify the right questions to understand the topic and assignment. 2. Find and access secondary and primary information. 3. Evaluate and finalize the sources. 4. Process the information. 5. Analyze the data. 6. Interpret the findings.

7.5.1c Adapting the Report to the Audience Any report voluntary or authorized should be audiencecentered. For this purpose, a good relationship should be established with the specified or prospective audience. Proper channel and medium should also be selected that would suit the readers: To ensure that the report is acceptable to the audience, the report should a) Focus on how the report answers their questions and solve their problems. b) Emphasize the positive opinion or recommendation. c) Establish the credibility of the author. d) Be polite. e) Be written in bias-free language. f) Project the image of the company. For reports, channel and medium choice depend not only on audience and purpose but also on classification. Reports are generally written to accommodate complex information in a logical and structured format. The written report can be used for any future reference. Reports can also be oral, when immediate feed-back is needed. Written reports can be accompanied With an oral presentation. With the growing use of electronic communication, electronic reports are becoming increasingly popular. 7.6 Organizing Business Reports Before drafting the report, the format, length, order and structure for the report should be carefully selected. The report may be in a preprinted format, letter, memo or manuscript.

79 The next important aspect for a report is to decide the correct approach-direct or indirect. The direct approach saves time and makes the report easier to understand by giving the main idea first. The indirect approach helps overcome resistance by withholding the main idea until the final stage of the report. Sometimes both the approaches are combined together. The conclusions and recommendations are revealed gradually along with the supporting details and evidences. For the sake of proper organization, materials should be arranged in order of importance, sequence, chronology, spatial relationship, location or categories. 7.7 Composing Business Reports Once the proper organizational structure of the report is decided, the next step is to compose the first draft. A final outline is prepared after reevaluating the information and the order in which it is to be presented. While composing the business report, we should control our style and tone, select the best words, and create the effective sentences and paragraphs. 7.7.1 Drafting Business Report The text of the report has three main sections- i) Introduction ii) Body and iii) Closing. Effective Introduction accomplishes four things : * Puts the report in a broader context by tying it to a problem or an assignment. * Introduces the subject or purpose of the report and indicates why the subject is important. * Previews the main ideas and order in which they will be covered. * Establishes the tone of the document and the writer's relationship with the audience. The following topics are generally covered in the introduction of the report. i) Heading or Title. It is essential that every report must contain the heading or title . ii) Address. The report is to be addressed to the persons or superiors to whom the report is to be submitted. iii) Authorization. When, how, and by whom the report was authorized, who wrote and when it was submitted. iv) Problem/ Purpose. The reason for the existence of the report and what is to be accomplished as a result of the report.

80 v) Scope. What is and what is not going to be covered in the report. The scope indicates the report's size and complexity. vi) Background. The historical conditions or factors that led up to the report. The background also enables the readers to understand how the problem developed and what has been done so far about it. vii) Sources and method. The primary and secondary sources of information that have been used for the report. This section explains how samples were selected, questionnaires were constructed. This section also develops the confidence of the readers in the work, the sources and methods used. viii) Limitations. Factors that are beyond the control of the author such as too small a budget or too short a period for conducting a research, unreliable and unavailable data, which may affect the quality of the report should be covered in this section. ix) Report Organization. The organization of the report (which topics are covered and in what order), along with a rationale: for following this plan, should be covered in this section. Body of the Report. The body is the middle section in the report. It consists of the major divisions or chapters, that analyze, and interpret the information gathered during investigation. They also support the recommendations or conclusions discussed in the document. Among the topics commonly covered in the body of the report are : * Explanations of a problem or opportunity. * Facts, statistical evidence and trends. * Results of studies or investigations. * Discussion and analyses of potential courses of action. * Advantages, disadvantage costs and benefits of a particular course of action. * Methods and approaches. * Conclusions and recommendations. * Supporting reasons for conclusions or recommendations. Closing. The closing is the final section of a report. It has important functions. * Emphasizes the main points of the message. * Summarizes the benefits to the reader if the document suggests a change or some, other course of action. * Refers back to all the Pieces and reminds the readers how these pieces fit together. * Brings all the action points together in one place and gives the details about who should do what, when, where and how.

81 7.7.2 Report Content The content and quality of the report depends on the depth of the thought process of the writer, his analysing capacity, how he draws conclusions and how he develops and supports his recommendations. To create a successful report the content should be. * Accurate. Information presented in a report must be factually true and free from error. Facts and references should be double checked. * To help the colleagues and the supervisors to take a decision, all the necessary information should be provided in the report. * Balanced. All sides of the issue should be fairly and equitably presented. All the relevant information should be adequately available in the report, so that the report does not get biased. * Structured clearly and logically. Clear sentence structure and good transitions are essential to make the report effective. There should not be any ambiguity either in the structure of the sentences or in the meaning of the words used in the report. * Documented properly. If primary and secondary sources have been used for the report, the same should be properly documented and acknowledged. 7.8 Completing Business Reports It is very often quoted in business, that "some one has to be willing to go the extra mile to produce a good report" Mark Landiak. Going the extra mile means paying close attention to detail and proof reading carefully to ensure that the final product is as clear as it can be. The process of writing a report does-not end with the first draft. Once the first draft has been finished three tasks line up for immediate attention - revising, producing and proof reading. In the revision process, we are to evaluate the organisation, style and tone of the report. The author of the report should further make sure that he has said what he wanted to say and in a logical manner. The readability of the report may also be im- proved by varying sentence lengths, keeping paragraphs short and adding headings and subheadings. The content of the report may be further revised to make it clear and concise. 7.8.1 Components of a Formal Report A formal report's manuscript format and impersonal tone convey an impression of pro- fessionalism. What sets it apart from other- reports is its polish.

82 The three basic divisions of a formal report are * Prefatory parts * Text * Supplementary parts. 7.8.1a Prefatory parts. Prefatory parts are front-end materials that provide Key preliminary information about the report. Many of these parts such as the table of contents, list of illustrations and executive summary - are easier to prepare after the text has been completed because they directly reflect the contents. Other parts can be prepared at any time. We may list prefatory parts of a formal report. Cover. Many companies have standard covers for report made of heavy paper and im- printed with the name and logo of the company. Report titles are either printed on these covers or attached with gummed labels. Title Fly and Title page. The report title should be informative but not too long. The title fly is a plain sheet of paper with only the title of the report on it. The title page includes the four blocks of 'information. 1)

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The title of the report. 2) The name, title and address of the person, group or organization that authorized the report.
3) The name, title and address of the

person, group, organization that prepared the report. 4) The date on which the report was submitted. Letter of Authorization. The Letter of authorization is a document and Letter of Acceptance requesting that a report be prepared. It also specifies the problem, scope, time and money restrictions, special instructions and due date. The letter of acceptance acknowledges the assignment to conduct the study and prepare the report. Letter of authorization is generally included in the report. The letter of acceptance is rarely included in reports. Letter of Transmittal. The letter of transmittal conveys the report to the audience. If the audience is likely to be skeptical or even hostile to something in the report, the transmittal is a good opportunity to acknowledge their concern and explain how the report addresses the issues they care about. If the report does not have a synopsis, the

83 letter of transmittal may summarize the major findings, conclusions and recommendation. Table of Contents. The table of contents indicates in outline form the coverage, sequence, and relative importance of the information in the report. The headings used in the text of the report are the basis for the table of contents. The table of contents is prepared after the other parts of the report have been typed, so that the beginning page number for each heading can be shown. The headings should be worded exactly as they are in the text of the report. List of Illustrations. All visual aids in the reports are referred to as illustrations or exhibits. The list of illustrations gives their titles and page numbers. Synopsis or Executive Summary. A synopsis is a brief overview of a report's most important points, designed to give readers a quick preview of the contents. The synopsis can be either informative or descriptive. In an informative synopsis the main points of the report are presented in the same order as in the text. A descriptive synopsis, on the other hand, simply tells what the report is about using only moderately greater detail than the table of contents. 7.8.1b Text of the report Three main text parts of a report are (i) Introduction, (ii) Body and (iii) Closing. Introduction. A good introduction helps the reader follow and comprehend the information that follows. It tells what the report is about, how the report is organized and why the audience should be concerned about the report. Body. This section contains the information that supports the conclusions and recommendations as well as analysis, logic and interpretation of the information. Too much data and too much information tend to bore the audience. To avoid this, only essential information should be included in the body and the rest may be placed in an appendix. Closing. Closing of the report would summarize the main idea of the report, highlight the conclusions and recommendation and list any courses of action that the reader should take. 7.8.1c Supplementary parts Supplementary parts follow the text of the report and provide further information for interested readers. Supplements include the (i) appendixes, (ii) Bibliography and (iii) Index.

84 Appendixes. An appendix contains materials related to the report but not included in the text because they are too lengthy, or bulky or because lack direct relevance. Sample questionnaires, cover letters, sample forms, financial statements, copies of important documents, are generally included in appendixes. Each type of material deserves a separate appendix. All appendixes should be mentioned in the text and listed in the table of contents. Bibliography. The author of a report has an ethical and legal obligation to give other people credit for their work. A bibliography is a list of secondary sources consulted when preparing the report. In addition to providing a bibliography some authors prefer to cite references in the report text. Mentioning the names of well known or important authorities on the subject helps build credibility for the message. Index. An index is an alphabetical list of names, places subjects mentioned in the report, along with the pages on which they occur. Once when all the various components of the report have been assembled, the entire content has been revised, for clarity and conciseness and the document has been designed to please the readers, the report is in its final form: At this stage, we are to review it thoroughly, looking for inconsistencies, errors and missing components. We should also proofread everything one last time. Types, spelling errors, mistakes in punctuation, visuals all should be proofread properly. Once the formal report has been completed and sent to the audience/ concerned authority, wait for a feedback. If nothing comes within a week or two, ask for feedback and if there is any serious criticism, we should learn from the mistakes.

7.9 Sample Questions Short Answer Type Questions 1) What is a Report? 2) How many types of report are there? 3) Define ordinary report. 4) What do you mean by special report? 5) What do you mean by privileged report? 6) What is unsolicited proposal?

85 7) Describe the formal work plan for a report. 8) What are the steps to be taken to ensure that the report is acceptable. 9) What are the features of an effective report content? 10) What are the basic divisions of a formal report? Long Answer Type Questions 1) Discuss in detail the classification of business reports. 2) Prepare a business report on out sourcing of some of the activities in a business. concern, with the help of three step writing process. 3) What are the things to be covered in the introductory part of a business report? 4) How to complete a business report? 5) Distinguish between Informational Reports and Analytical Reports. Describe different types of informational reports. 6) Describe analytical report. Describe two types of analytical reports and provide examples of each. 7) What is a proposal? Distinguish between internal proposals and external proposals. 8) Discuss "For reports, channel and medium selection choice depends not only on audience and purpose but also on classification." 9) A proposal is both a selling tool and a contractual commitment. Objective Type Questions 1) A business report is (a) subjective document, (b) comprehensive document, (c) legal document, (d) objective document, that serves a business purpose. 2) Routine reports are to be submitted (a) monthly, (b) quarterly, (c) annually, (d) as prescribed by the management. 3) RFP means (a) Regular, fast, and progressive, 86 (b) Request for permission, (c) Request for proposal, (d) Request for presentation. 4) Routine reports are generally submitted in (a) letter, (b) pre-printed form, (c) memo, (d) manuscript. 5) Analytical reports may be organized around conclusions and recommendations, when the audience is- (a) receptive, (b) internal, (c) external, (d) skeptical. 6) The executive summary of a report should be prepared- (a) before writing the report, (b) after writing the report, (c) simultaneously while writing the report. 7) The purpose of a report is mentioned in (a) the introduction, (b) the body, (c) closing part of a report. 8) Compliance reports explain what a company is doing to conform to (a) standing instructions of the company, (b) comments of the auditors, (c) government regulations. 87 Structure 8.0 Objectives 8.1 Introduction 8.2 Oral Communication 8.2.1 Advantages and disadvantages of oral communication 8.3 Three step oral presentation process 8.3.1 Planning oral Presentation 8.3.2 Writing Oral presentation 8.3.2.1 Organizing Oral presentation 8.3.2.1a Define the main idea 8.3.2.1b Limiting the scope 8.3.2.1c Choosing the correct approach 8.3.2.1d Preparation of the outline 8.3.2.1e Deciding on an appropriate style 8.3.2.2 Developing oral presentation of a Report 8.3.3 Completing Oral Presentation 8.3.3.1 Mastering the Art of Delivery 8.3.3.2 Preparing to speak 8.3.3.3 Overcoming Anxiety 8.3.3.4 Handling Questions Responsively 8.3.3.5 To conclude presentation of report 8.4 Public speaking 8.4.1 Attitude towards Public Speaking 8.4.2 Exercising control over three domains 8.4.2.1 Preparation of the material 8.4.2.2 Self Control 8.4.2.3 Control of the audience Unit 8 ppppp Oral Communication - presentation of reports, Public Speaking, negotiations 88 8.4.2.4 Question Answer Techniques 8.4.3 Six great Helpers 8.4.4 Seven steps to a successful public speaking exercise 8.5 Negotiations 8.6 Sample Questions 8.0 Objectives In this unit we shall be discussing different types of oral Communication as under:

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What is oral Communication; | Uses of oral Communication; | Advantages and disadvantages of oral Communication;

| Three step oral presentation process; | Mastering the art of delivery; | Six Great helpers on public speaking; | Seven steps to a successful public speaking exercise; | Discussing salary and negotiations ; 8.1 Introduction All the topics in this unit have one thing in common. Oral communication is the channel in these varied activities. This is the primitive and the most ancient mode of communication but till today it is considered as the best. type of communication. "Email and voice mail are efficient, but face-to-face contact is still essential to true communication". Edward M. Hallowell. Knowing the audience is the most important element in a communication and in oral communication, particularly in face-to-face communication this element is present throughout. We can understand our audience and personalize the message. We can get the first hand feel of their reaction and appeal to the most important issues in their, minds. "Economy of language is the real key to good communication" and in oral communication", that means choosing the best way of saying something to get the desired result". Leanne Anderson.

89 8.2 Oral Communication No organization can function without written communications of various kinds. But the greater percentage of information, instruction, ideas and suggestions etc. are communicated orally. It has been observed that managers spend around 60% to 80% of their work time in oral communication, with help of spoken words. Oral communication may take place a) by face to face communication, and b) through mechanical devices : Face to face communication Under this channel, the speaker passes the required message to another person or group of persons through conversation. Under this system the person communicating can ask questions or explanation or sometimes when communication is not properly understood, he can clarify the message. Meeting, conferences, lectures and interviews are the important media of such communications. Through Mechanical Devices a) Telephone is the widely used instrument for internal and external oral communication. In a big office, there are different departments with a number of. telephone points and the different points are connected with some extensions. Subscriber Trunk Dialing (STD) and International Subscriber Dialing are further variations of. telephonic communication. b) Radio : Radio is another form of oral communication where messages are transmitted through electro-magnetic waves. These waves may be short wave or medium wave in case of communication through. radio. c) Intercom System : Intercome telephone system is a device of internal communication requiring no exchange. Multimode cable is used for the installation of such system. Direct extension lines from the main line are established by setting a rotary switch to the desired number. Any person of one department can speak directly to another person of his department or any other department. d) Cellular phones or mobile phones : It is the device of communicating messages from one place to another without cord. It incorporates all the features of an advanced pager and modern telephone set along with the antenna for wireless communication. It is being used profusely more so in transit covering a wide area. Both the methods of oral communication are frequently used in organisations for downward

90 communications. The managers and supervisors make use of oral communication by instructing, advising, counselling and so on. The juniors and the subordinates also use oral. communication for conveying their suggestions and grievances and feed back to the management. 8.2.1 Advantages and disadvantages of oral communication Oral communication is generally possible when there is a direct contact and the message to be conveyed is not of permanent nature. The system has the following advantages i) Close contact between the parties. Oral communication is quite helpful to facilitate dose contact between the parties, where they can exchange their feelings, ideas, facts and understanding. ii) Quick and prompt transmission. It has very high degree of potentiality for speedy and complete inter change of information. It provides the opportunity to both the transmitter and receiver of the message to respond directly. iii) Appraisal of subordinate's action. It enables the superior to make a quick appraisal of subordinate's action and reaction to any message transmitted. This helps the superior to minimise and avert conflicts, reschedule plans and programmes as and when needed. iv) Acting. as a motivating factor. As the oral communication establishes a direct contact, it inculcates among the subordinates a sense of self-importance. This motivates the subordinates. v) Personal touch in the communication. The personal touch in the communication has a good effect on the subordinates and they easily comprehend the communication properly. vi) Forming a co-operative team spirit. This type of communication can easily form a friendly and co-operative team spirit. Despite these advantages, oral communication suffers from some deficiencies as well. These are as follows : i) Not a permanent record of communication. This type of communication is not permanently recorded. In the process, it may lose its effectiveness.

91 ii) Lack of understanding. The spoken words may not be clearly heard and understood. This may lead to misunderstanding. iii) Not suitable for lengthy communication. Oral communication is not suitable for lengthy communication. It is not taken seriously by the receiver and the basic objective of communication gets lost. iv) Time consuming Sometimes, it becomes time consuming specially for those meetings and conferences where nothing comes out concrete, after various deliberations. v) Not suitable for all cases This type of communication is considered to be riot adequate where specific performance of policies and compliance of rules is needed. vi) Incapacity of the subordinates to follow The subordinates who are not experienced, can not follow the facial expression, and the tone of manager's voice. vii) Incapacity of the superiors to communicate effectively All the superiors/managers are not equipped with effective communicational skill. Their articulation, conceptualization, arrangements of ideas and delivery may not be that much impressive, resulting in poor and incomplete communication. 8.3 Three step oral presentation process Regardless of the variety of reports, oral presentation would be more effective, if we follow three-step process : 1) Planning the presentation 2) Writing the presentation 3) Completing the presentation 8.3.1 Planning oral Presentation Planning oral presentation of the report is much like planning any other business . message. It requires analyzing the purpose and the audience, investigating necessary information, and adapting the message for the occasion and audience. When the report is being presented orally, we are to remember that the presentation is a one time event; the audience can not leaf back through printed pages to review something mentioned earlier. So we must

92 capture the attention of the audience immediately and keep them interested. Otherwise we will lose them, and the chances of getting them back are bleak. The four basic purposes for giving a presentation are i) to inform ii) to persuade iii) to motivate and iv) to entertain. The purpose of the oral presentation will govern the content of the report and the style of the presentation. To make the presentation more effective, the first essential is to know who are the members of the audience and what they need. By determining audience size and composition, predicting the audience's probable reaction and by gauging the audience's level of understanding we may effectively gear the content, organization-and style of the oral presentation.

8.3.2 Writing Oral presentation

In the case of oral presentation, we need not write the report word for word. But interesting and intelligent speaking about a report deserves more work and more time than preparing a written document.

8.3.2.1 Organizing Oral presentation

Every facet of organizing oral presentation is driven by our knowledge about the audience. This focus on audience will help us define the main idea, limit the scope, choose the approach, prepare the outline and decide on the most effective style for the presentation.

8.3.2.1a. Define the main idea

The idea points out how the audience can be benefited from the presentation. This should be an abridged and to the point generalization that links the subject and purpose of the report to the audience's frame of reference. The audience must be convinced that the 'main idea' would be beneficial to them.

8.3.2.1b. Limiting the scope

Effective presentations not only focus on the audience's need but also tailor the materials to the time allowed. So oral presentation should fit the time allotted. For a simple, easily accepted report, 10 minutes may be enough. On the other hand if the report is complex or audience is skeptical, we will probably need more time. The guideline is do not squeeze a complex presentation into too brief period, and do not spend time more than necessary on a simple presentation.

8.3.2.1c. Choosing the correct approach

The approach may be direct or indirect according to the purpose of the presentation. If the report involves routine information, we may opt for direct approach, if on the other hand report involves persuasion for accepting some proposal or the report is advance information about some impending disturbance we may use indirect approach. Even in a short presentation there should be an introduction to arouse interest and to give a preview of what is to come. In the body of the presentation, the presenter is to explain the who, what, when, where, why and how of the subject. In the final paragraph the points made should be reviewed. The presentation is to be closed with a statement that will help the audience to remember the subject of the report. Lengthy formal reports require longer presentation. If the purpose is to motivate or inform, direct approach is preferable. The structure of the presentation is to be based on the importance of the subject along with sequence, chronology, spatial orientation, geography or category. If the purpose is to analyze, persuade or collaborate, the presentation is to be organized around conclusion and recommendation of the report. Approach is to be direct when the audience is receptive; if resistance is expected, it is better to opt for indirect order. Regardless of the length of the presentation, the simplicity of organization is especially valuable in oral presentation. So a clear, direct organization is to be used in the presentation to accommodate listeners' limitation. To keep the audience's attention, we should include in our presentation only the most useful, interesting and relevant supporting evidence.

8.3.2.1d. Preparation of the outline

A carefully prepared outline is more than just the starting point for composing a presentation. It helps the author to stay on task. The outline helps to make sure that the presentation accomplishes its purpose by keeping the presentation audience concerned and within the allotted time.

8.3.2.1e. Deciding on an appropriate style

Style is an important element in the preparation of a presentation. The size of the audience, the subject of the presentation (the report), the purpose of the report, the budget for the presentation and the time available for preparation and presentation, influence the style. If the presentation is before a small group, we can use a casual style which encourage audience participation. The tone may be conversational. Audience may be invited to give comments. On the other hand, of large audience is to be addressed the report is a very important special one, we should prefer to establish a more formal atmosphere. A formal style is well suited to present report on merger, acquisition, new products, financial results etc. Irrespective of the style of presentations, we should always choose our words very carefully. If we try to impress our audience with obscure and unfamiliar vocabulary the purpose of the presentation will be lost. So we should, by all means, keep the things simple.

94 8.3.2.2 Developing oral presentation of a Report Developing oral presentation is much like writing a formal report, with one important difference, adjusting the technique to an oral communication channel, which presents both opportunities and challenge. The major opportunity lies in the interaction between the speaker and the audience. Instead of simply expressing the ideas developed in the report, we can draw ideas from the audience and then reach a mutually acceptable conclusion. Another opportunity is to use nonverbal cues supplied by the audience to reinforce the message of the report. Audiences will receive much richer stimuli during a speech than they can while reading a report. The major challenge of using an oral communication is being able to control what happens during presentation. As we develop each part of the presentation, we will have to think about how to deliver the information. Moreover, because listeners can not refer back and forth to what has been or will be said, it is the additional responsibility of the presenter to help them stay on track. To cope up with shift in topic, because of a comment from some one in the audience, we should develop each part of the oral presentation; the introduction, body and close, very consciously and intelligently.

Introduction In the first few minutes of our presentation, we should build up a solid introduction, which should arouse audience's interest. in the topic, and capture their attention. The introduction should also inspire confidence in the speaker and preview the contents of the presentation.

Body The bulk of the presentation is devoted to a discussion of three or four main points in the outline. While discussing these points our objectives should be to make sure that the organization of the presentation is clear and the presentation holds the attention of the audience. By using clear transitions between sentences and paragraphs, as well as between major sections, we can help the audience to follow the presentation. To hold the attention of the audience we may follow the following tips. i) Relate the subject to the needs of the audience; ii) Anticipate questions from

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the audience; iii) Use clear, vivid language; iv) Explain the relationship between the subject and familiar ideas; 95

Close The close of a presentation should leave a strong and lasting impression. Before closing we should summarize the main idea, and restate the main points. Some presentations require the audience to reach a decision or agree to take specific action. In such cases, we should be certain that everyone agrees on the outcome and understands what should happen next. Finally while closing, remarks should be encouraging and memorable. Alternatively, we may end with a question or a statement that will leave the audience thinking.

8.3.3 Completing Oral Presentation To complete oral presentation, we need to evaluate the content of the message and edit the remarks for clarity and conciseness. We may also need to develop aids for presentation and co-ordinate them with delivery. Besides these tasks, four additional areas require special attention. Mastering the art of delivery, preparing to speak, overcoming anxiety, and handling questions responsively.

8.3.3.1 Mastering the Art of Delivery Once the presentation has been planned and written, we are to begin practising delivery. There are variety of delivery methods to choose from.

a) **Memorizing** Unless some body is a trained actor, it is better avoiding memorizing as it may expose the speaker to some embarrassments. However, memorizing a quotation, an opening paragraph or a few concluding remarks can bolster confidence and strengthen delivery.

b) **Reading** For delivering a technical or complex presentation reading out the presentation is ok. However if the speech is to be read, it should be properly practiced to maintain eye contact with the audience.

c) **Speaking from notes** Making a presentation with the help of an outline note cards or visual aids is probably the most effective and easiest delivery mode. This provides the material to refer to and still allows for eye contact and interaction with the audience.

d) **Impromptu Speaking** Sometimes we are required to give an imprompt or unrehearsed speech, if we are called to speak unexpectedly or we have not prepared our remarks, in time. It is better to avoid

96 speaking unprepared, unless the presenter has talked on that topic countless times or he is an extremely good speaker. Regardless of the mode of delivery, to present a report, the speaker should be well conversant with the subject. Practice makes perfect, so any presentation should be well practiced to make it effective.

8.3.3.2 Preparing to speak Apart from knowing the material and practicing delivery, confidence is to be built up with the information that the location is ready and all the infrastructural facilities are available. These may be further checked up and rearranged according to individual's need.

8.3.3.3 Overcoming Anxiety The initial anxiety associated with oral presentation of a report, can be overcome by concentrating on the listeners and on their needs, rather than focussing on the speaker's own self. More confidence, will be gained by using eye contact, posture, gestures, and voice to convey an aura of mastery and keep audience's attention.

8.3.3.4 Handling Questions Responsively The question - and - answer period one of the most important parts of an oral presentation. Questions give a chance to obtain important information, emphasize main idea and supporting points. It also helps build enthusiasm for presenter's point of view. However if the report presented is unpopular and unwelcome, we should be ready for hostile questions, treating them as legitimate requests for information. To maintain control during the question - and answer period, effective speakers use the following strategies to maintain control

- i) Use body language to emphasize the fact that the speaker is listening to the questioner;
- ii) Keep the answers short and to the point;
- iii) Maintain control by stating some ground rules in the beginning of the question - and - answer session;
- iv) Respond unemotionally to tough questions without getting into an argument;
- v) Help audience members ask questions;

8.3.3.5 To conclude presentation of report When the time allotted for presentation is up, we should call a halt even if the people are eager to continue. After the "one more question" has been replied, we should summarize the main idea of the presentation and thank people for their attention. We are to conclude

97 the way we open the presentation : by looking around and making eye contact with the audience. Finally we are to gather the notes and leave the podium, shoulders straight and head up.

8.4 Public speaking

The importance of business communication has all the more increased with the passage of time, as the society is becoming more and more complex and the businesses are getting global. Organisations are operating at trans national level. The need of dealings with peoples of different cultures and languages is going up. With the expanding economics, businesses are being conducted on larger scale. There is a substantial change in management from autocratic to participative. This necessitates proper communication between the workers and the management. With the growing aspirations of work force and its awareness, keeping the workers motivated and talking to them about the different activities in the organisation has been an important task of management. Finally modern business has been recognised as a social institution. It has to deal with different segments of society in different capacities, such as share holders, customers, suppliers, trade unions, foreign delegates, association of business associates, academic organization, press, government etc. Against this back ground, public speaking has assumed unprecedented importance. Effective public speaking is now a competitive edge for a business organization.

8.4.1 Attitude towards Public Speaking

Speaking before the public is an opportunity provided to the speaker to express his point of view. For some, one of the easiest things in the world is to stand in front of a group of people and to talk. Others may look scared and be ready to rush for cover at the sight of an audience. This difference lies primarily in the attitude towards public speaking. If the speaker can do away with the initial fear and nervousness and move on the assumption that speaking and interacting is enjoyable, the whole floor would unfold before him. Making presentations in front of a large gathering is not that difficult if the following few factors are kept in mind. Positive attitude

The attitude towards the situation and the audience should be positive. He should develop affinity and fancy for this performing art. He should emerge as an assertive . communicator whose thought process should be positive and it should be evidenced through his body

98 sport and oral presentation. Instilling enthusiasm The speaker should try to instil interest and enthusiasm in the audience by sharing information in an open manner. This is a step by step procedure in which the speaker opens up, shares and asks for feedback further information. As greater interaction is sought with the audience, the level of enthusiasm and participation increases and the presentation is accepted with greater open-mindedness and decreased resistance. You are the expert Another important factor to keep in mind by the speaker is he is an expert in this area. This attitudinal change should be reflected in the presentation as it enhances skills and increases the level of confidence.

Empathise with the audience Knowing the audience and understanding their needs help empathising with the audience. Once this happens, the speaker is accepted by the audience and speaking to them turns out to be a smooth exercise.

8.4.2 Exercising control over three domains For successful handling of an audience a presentation requires excelling in exercising control over three domains : 1) The material to be presented 2) The self 3) The audience 8.4.2.1 Preparation of the material The first stage is the preparation of the material. There is absolutely no harm in preparing more material than what is thought to be necessary. Once the materials are prepared, it should be properly organised - what should come first, what should follow next, and so on and so forth in accordance with the needs of the audience and the proposed structure of the presentation. At this stage the speaker is to differentiate between the objective of a presentation and the assignment itself. The objective of the presentation is to deliver the topic in such a manner that the principal idea and relevant issues are clearly comprehensible to the audience. The assignment on the other hand is to make a presentation in a convincing fashion. To meet both these objectives there should be a session of personal brain storming.

99 8.4.2.2 Self Control Once the matter to be presented is ready the second stage is to exercise self-control. The speaker may feel nervous at the thought of making a presentation. The following techniques can help the speaker to be more confident. | Rehearse The more familiar the speaker is with his material, the less panic will feel. | Think positively The speaker, should see him as polished and professional, the audience will also think so. | Visualize success The speaker should convince himself that he is on and he is ready to achieve success. | Take a few deep breaths Before beginning to speak, remember that audience is silently wishing you success. | Be ready Wish the audience. Have the first sentence memorized and on the tip of the tongue. | Be comfortable If the throat is dry, drink some water. | Don't panic If you feel that you are losing audience during the speech, try to pull them back by involving action, ask for their opinion or pause for questions. | Keep going Things usually go better as the speaker goes on. Self control may be further developed by a) maintaining steady eye-contact with the audience; b) keeping the feet firmly planted on the ground; c) Keeping the shoulders back and straight; 8.4.2.3 Control of the audience The last stage is taking control of the audience. In this stage we are to find out the needs and requirements of the audience so as to make the message clear, simple and acceptable. The language used should be close to the

100 participants. Using big words or jargons alienates them. When anecdotes are narrated or examples cited, the ones close to their heart will have more appeal. Next comes the stage when we are to devise strategies for capturing the attention of the audience. There are five tips for making presentation and communicating successfully with the audience. 1. Speak slowly and distinctly, articulating every word carefully. Emphasize consonants for clarity, and pause frequently so that the audience will have time to absorb key point. 2. Repeat keywords and phrases when audiences are less familiar with the speaker's language, they need to hear important information more than once. 3. Aim for clarity, Keep the message simple. Eliminate complex sentence structure, abbreviations and acronyms. Stay away from cultural idioms. 4. Communicate with body language. Establish a relationship with the audience through strong eye contact. And forget to smile! 5. Support the oral message with visual aids. For most audiences, visual messages support and clarify spoken words. Handouts, flip charts, overheads, and electronic slides help describe key points. Avoid confusion about quantities by presenting numbers in graphs or piecharts. Variety in the manner of presentation of material by incorporating variations in the pitch and the volume is also important. The correct use of pause creates long lasting impact. Pauses at correct junctures give the audience time to think and absorb all that is being said. 8.4.2.4 Question Answer Techniques Can also be used to control the audience. This would be most effective if employed at the end of each key area and before the summary. This procedure, to a great extent, helps in clarifying doubts, if any, in the minds of the audience. 8.4.3 Six great Helpers To enhance the skill in public speaking, we may secure the help of the six great helpers a) Why b) Who c) Where d) When e) What f) How

101 a) Why? The purpose of presentation must be clear to the speaker. Is it to inform, to persuade to influence, to educate, to empathise, to entertain, or to sympathise? Only when the purpose is known, all the relevant ideas and thoughts may be listed. Sorting or prioritising them in order of importance or manner of presentation can be done at a subsequent stage. As a next step the speaker should attempt to guess the reaction of the listener. What is the speaker going to achieve through an effective and efficient transmission of the message? Is it a change of attitude or belief or an increase in knowledge? b) Who? Who is my audience? Knowledge about the audience goes a long way in meeting communication demands. The personality, education, age, status, knowledge, level of the audience help deciding the format, the tone and the manner of presentation. What would be the reaction of the select audience to the message? The answer to this question should be prior to commencing the presentation. c&d) Where and When? These imply the place and the context. The format and tone of the message should change in accordance with the place where it is going to be delivered. The place determines whether the message should be formal and precise or casual and informal. The context of the delivery of the message has also a role in effectively organizing the content of the message, particularly in the introductory part of the speech. e) What? This obviously focuses on the subject matter of the message. What exactly the speaker is required to communicate and what is the need to do so? The answer to these questions can be determined by studying the profile of the audience. Sufficient information about the audience enables the speaker to discern between the essential and the redundant areas of the material to be presented. The expectation of the audience and the probable questions should also be studied while determining the what of the speech. f) How? How to achieve the right effect? To what purpose can we use the five W'S so as to secure the undivided expectation of the speaker. The effect can be achieved by the tone and medium of the delivery. Proper organisation of the theme - the main point followed by subsidiary points and relevant evidences, impressive introduction and memorable closing would leave a lasting impression in the mind of the audience. Proper use of words and proper selection and application of visual aids also help effective transmission of the message.

102 8.4.4 Seven steps to a successful public speaking exercise There are seven basic steps which need to be kept in the mind at the time of making a public speech. An excellent speech is to be preceded by extra ordinary preparation. Proper attention at all the preparatory stages would definitely result in excellent presentation of a meticulously conceived message. a) Decide upon the objective What is it that the speaker is going to achieve at the end of the presentation? The objective should be crystal clear. The speaker should not move away from the mainpoint. Any movement round the mainpoint should be with the idea of emphasizing the mainpoint. b) Manner of Presentation It should be decided by the speaker how best to achieve his objective. Whether he should go for a formal or nonformal presentation. The profile of the participants and the place of presentation would help determine the manner of presentation. c) Mode of presentation A strategy needs to be chalked out for a satisfactory rendering of the topic. The manoeuvres are going to vary with a change in the manner of presentation. Presentation should be such that the participants at no stage feel that the speaker is an alien in their midst or that he has something to say with which they are not comfortable. In both the cases, the attempt should be to convincingly present the points and bring about a change in the attitude of the receivers towards the issues being discussed. d) Preparation of Script The most tedious and arduous task in the preparatory stage of a speech is the preparation of the script. The speaker may be flushing with all the ideas and points well stored up in the mind but they need to be given a proper format so that there is greater acceptance by the audience. The speaker should decide whether he should have a direct or indirect approach. If the audience is receptive, direct approach is preferable, in the case of a skeptical or hostile audience it is desirable to shift to indirect approach. The points in the scripts should be on cue cards for reference to the speaker. e) Preparation of visual aids, handouts and feedback forms It is always better to prepare visual aids much in advance of the presentation. This will save the speaker from rushing through the entire procedure. As visual aids are used as supports to the presentation, errors in the same are sure to leave a poor impact in the minds of the audience. The transparencies should be prepared neatly with no over writing or spelling errors. The materials should be well spaced and written in capitals on block

103 letters so that the listeners from different directions can properly decipher the contents. The written material on the transparency should be read out to the audience. Handouts should be prepared meticulously and carefully. These should be given to the participants prior to commencing the session so that they can come prepared at the presentation with focussed queries. Handouts pass on and on from the participants in the presentation, to their friends and colleagues. The speaker should take this aspect into consideration and ensure that he does not miss remote recognition. The quality of the presentation plus the handouts, to a great extent, determine the acceptance of the speaker by the audience.

Feedback forms In the case of regular, structured sessions feedback forms should be prepared well in advance so that they can be handed over to the participants at the end of the presentation. Points which need to be elaborated in the feedback form are : a) Information about the audience, b) Level of acceptance of the speaker, c) Scope for improvement, d) Inadequacies if any, in the presentation, e) Expectation from the presentation, f) To what extent they were met, g) Gain from the session h) Scope for further interaction i) Grading of the speaker on various parameters such as, delivery, ideas, use of the visual aids, handling the group, empathy, listening etc. j) Suggestions, if any. f) Rehearse Making presentation is not simple. It is extremely important to realise the sanctity of rehearsing to improve the quality of public speaking. The more we rehearse, the better will be our performance before the audience. The culmination point of the preparatory stage is the rehearsal. g) Presentation The final stage in an exercise of public speaking is presentation of the topic. The speaker should be extremely careful about the introduction and conclusion. The attention of the audience is to be captured right at the start by making the opening impressive and inspiring. If we miss the opportunity at that stage, it will be difficult to get back the audience with you. To gain the lost ground, some strategies may be adopted e.g. Quiz, music or game. These are commonly known as "ice-breakers". Through these manoeuvres the initial hesitation on the part of participants may be done away with and they are likely to warm up for the session. The conclusion is also equally important very often the presenter gets carried away by the audience and their responses. Little does he realise that the time is up and he has to wind up his presentation. In such situation, there could be an emergency stop, which may not be appreciated. The speaker should keep in mind the fact that the conclusion is his show. So he should keep the time factor in mind and reserve the last ten or fifteen minutes for summarising the whole presentation and taking the leave of the audience.

8.5 Negotiations

Negotiations start while discussing salary, after an offer is received during the interview. As a candidate you will maturely want to discuss salary. It is ideal to be realistic in your salary expectations and diplomatic in your negotiations. However let the interviewer raise the subject. If asked about your salary requirements, say that you would expect to receive the standard salary for the job in question. If you have added qualifications and some experience, you would expect to start in the middle of normal salary range. For getting an idea of the salary structure in the kind of job you are getting, you may find the details in the internet, before coming for the interview. When to negotiate If you are happy with the salary offer, negotiation does not arise. But when you do not like the offer, you might try to negotiate, provided you are in a good bargaining position and the organization has the flexibility to accommodate you. You will be in a fairly strong position if your skills are in short supply and you have several other offers. It also helps if you are the favourite candidate and the organization is booming. However many organizations are relatively rigid in their salary practices, particularly at the entry level. When you are not sure about the approach of the organization, it is perfectly acceptable to ask. 'Is there any room for negotiation?'. What to negotiate Even if you can not bargain for more money you may be able to win some concessions on benefits and perquisites. Negotiating benefits may be one way to get more value from an employment package. The value of negotiating can be significant because benefits often cost the employer 25 to 45 per cent of the salary. However, do not enquire about benefits, until you know you have a job offer.

8.6 Sample Questions

Sample Questions Short answer type questions

- 1) What are the different mechanical devices of oral presentation?
- 2) What is face to face communication?
- 3) What is three-step oral presentation?
- 4) What are the four basic purposes of giving presentation?
- 5) What do you understand by limiting the scope of oral presentation?
- 6) How do you prepare outline of oral presentation?
- 7) What are the factors that decide the appropriate style of oral presentation?
- 8) What are the different methods of oral delivery?
- 9) How anxiety in oral presentation may be avoided?
- 10) How to make question and answer session lively?

Long answer type questions

- 1) "Knowing the audience is the most important element in communication" discuss.
- 2) "Economy of language is the real key to good communication" Discuss.
- 3) What are the advantages and disadvantages of oral communication?
- 4) How do you organize oral presentation?
- 5) What are the factors that determine the correct approach in oral presentation?
- 6) How to develop oral presentation of a report?
- 7) Why public speaking is gaining so much importance?
- 8) What is public speaking? How best you can handle audience during a public speaking exercise.
- 9) Discuss the role of six Great Helpers in enhancing skill in public speaking.
- 10) Describe the seven steps to a successful public speaking exercise.
- 11) What is negotiation? When to negotiate? Is there any option to negotiate on salary?

106 Objective type questions 1) Oral communication is not suitable for a) formal b) informal c) lengthy d) diagonal communication. 2) The basic purposes of communication are a) four b) many c) ten d) five. 3) The main idea in oral presentation points out how a) the presenter b) the public in general c) a section of the society d) audience will be benefitted by the presentation. 4) If the presentation is before a small group, we should use a) formal b) Official c) Casual d) combined approach. 5) The major challenge of making an oral presentation is being able to control a) the language b) the audience c) what happens during presentation d) hostile questions. 6) Oral presentation has got a) four b) three c) ten d) five parts.

107 NOTES

108 NOTES

Hit and source - focused comparison, Side by Side

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1/14	SUBMITTED TEXT	11 WORDS	100% MATCHING TEXT	11 WORDS
<p>the same meaning to the message as intended by the sender</p> <p>W https://ddceutkal.ac.in/Syllabus/MA_English/Paper_21.pdf</p>		<p>the same meaning to the message as intended by the sender</p>		
2/14	SUBMITTED TEXT	15 WORDS	66% MATCHING TEXT	15 WORDS
<p>message, the receiver responds in the same way and signals that response to the sender.</p> <p>W https://nishu111.wordpress.com/2012/08/12/process-of-communication/</p>		<p>message a, the receiver responds in some way signals that response to the sender.</p>		
3/14	SUBMITTED TEXT	18 WORDS	77% MATCHING TEXT	18 WORDS
<p>Premature evaluation is the tendency of prematurely evaluating: communication, rather than to keep an uncompromised position during the</p> <p>W https://pdfcoffee.com/communication-and-its-barriers-pdf-free.html</p>		<p>Premature Evaluation: It is a barrier which takes the form of prematurely evaluating communication. Rather than to keep an uncompromised position during the</p>		
4/14	SUBMITTED TEXT	16 WORDS	70% MATCHING TEXT	16 WORDS
<p>Such evaluation stops the transfer of further information and gets a sense of futility in the sender.</p> <p>W https://www.economicdiscussion.net/business-communication/barriers-to-effective-communication/33640</p>		<p>Such evaluation interferes with the transfer of information and budgets a sense of futility in the sender.</p>		

5/14	SUBMITTED TEXT	17 WORDS	63% MATCHING TEXT	17 WORDS
<p>structure blocks the flow of communication particularly in the upward direction. Greater the gap between different hierarchical positions,</p>		<p>structure also blocks the flow of communication and, more particularly, in the upward direction. The greater the difference in hierarchical positions</p>		
<p>W https://www.economicdiscussion.net/business-communication/barriers-to-effective-communication/33640</p>				

6/14	SUBMITTED TEXT	19 WORDS	92% MATCHING TEXT	19 WORDS
<p>to withhold the information coming down the line or going up, as frequent passing of information may weaken their</p>		<p>to withhold the information coming down the line or going up as frequent passing of information may disclose their</p>		
<p>W https://www.economicdiscussion.net/business-communication/barriers-to-effective-communication/33640</p>				

7/14	SUBMITTED TEXT	15 WORDS	71% MATCHING TEXT	15 WORDS
<p>Lack of proper incentive Lack of proper motivation to communicate also refrains the subordinates from communicating</p>		<p>Lack of Proper Incentive: Lack of incentive to communicate also prevents the subordinates from communicating</p>		
<p>W https://www.economicdiscussion.net/business-communication/barriers-to-effective-communication/33640</p>				

8/14	SUBMITTED TEXT	19 WORDS	55% MATCHING TEXT	19 WORDS
<p>barriers to communication? 2) What are the common barriers to effective communication? 3) How language difference cause barrier to communication? 4)</p>		<p>Barriers to Communication 9. What are the Barriers to Effective Communication 10. Overcoming Barriers of Communication Barrier to Effective Communication</p>		
<p>W https://www.economicdiscussion.net/business-communication/barriers-to-effective-communication/33640</p>				

9/14	SUBMITTED TEXT	12 WORDS	87% MATCHING TEXT	12 WORDS
<p>Badly expressed message Lack of clarity and brevity in a message makes</p>				
<p>SA Edit Book BCC- 22-5-2022.docx (D137901059)</p>				

10/14	SUBMITTED TEXT	15 WORDS	76% MATCHING TEXT	15 WORDS
<p>The meaning ascribed to a message depends upon the emotional and psychological status of the</p>				
<p>SA 346E2451-Managerial Communication-_347E1220-348E1220-349E1220.pdf (D165203730)</p>				

11/14	SUBMITTED TEXT	14 WORDS	62% MATCHING TEXT	14 WORDS
<p>What is oral Communication; I Uses of oral Communication; I Advantages and disadvantages of oral Communication;</p>		<p>What is oral communication? Characteristics of oral communication Elements of oral communication Advantages and disadvantages of oral communication</p>		
<p>W https://crgsoft.com/oral-communication-what-is-it-characteristics-advantages-and-disadvantages/</p>				

12/14	SUBMITTED TEXT	15 WORDS	100% MATCHING TEXT	15 WORDS
<p>Body of the letter : This is the most important part of the letter.</p>				
<p>SA Business Communication.docx (D160056855)</p>				

13/14	SUBMITTED TEXT	16 WORDS	76% MATCHING TEXT	16 WORDS
<p>the audience; iii) Use clear, vivid language; iv) Explain the relationship between the subject and familiar ideas; 95</p>		<p>the audience's needs B) Use clear vivid language. C) Explain the relationship between the subject and familiar ideas.</p>		
<p>W https://www.notes4free.in/pdf-notes/CS.pdf</p>				

14/14	SUBMITTED TEXT	27 WORDS	35% MATCHING TEXT	27 WORDS
<p>The title of the report. 2) The name, title and address of the person, group or organization that authorized the report. 3) The name, title and address of the</p>				
<p>SA 346E2451-Managerial Communication-_347E1220-348E1220-349E1220.pdf (D165203730)</p>				

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1 PREFACE In the curricular structure introduced by this University for students of Post-Graduate degree programme, the opportunity to pursue Post-Graduate course in Subject introduced by this University is equally available to all learners.

Instead of being guided by any presumption about ability level, it would perhaps stand to reason if receptivity of a learner is judged in the course of the learning process. That would be entirely in keeping with the objectives of open education which does not believe in artificial differentiation.

Keeping this in view, study materials of the Post-Graduate level in different subjects are being prepared on the basis of a well laid-out syllabus. The course structure combines the best elements in the approved syllabi of Central and State Universities in respective subjects. It has been so designed as to be upgradable with the addition of new information as well as results of fresh thinking and analysis.

The accepted methodology of distance education has been followed in the preparation of these study materials. Co-operation in every form of experienced scholars is indispensable for a work of this kind.

We, therefore, owe an enormous debt of gratitude to everyone whose tireless efforts went into the writing, editing and devising of proper lay-out of the materials. Practically speaking, their role amounts to an involvement in invisible teaching.

For, whoever makes use of these study materials would virtually derive the benefit of learning under their collective care without each being seen by the other.

The more a learner would seriously pursue these study materials the easier it will be for him or her to reach out to larger horizons of a subject. Care has also been taken to make the language lucid and presentation attractive so that it may be rated as quality self-learning materials. If anything remains still obscure or difficult to follow, arrangements are there to come to terms with them through the counselling sessions regularly available at the network of study centres set up by the University. Needless to add, a great part of these efforts is still experimental—in fact, pioneering in certain areas.

Naturally, there is every possibility of some lapse or deficiency here and there. However, these to admit of rectification and further improvement in due course. On the whole, therefore, these study materials are expected to evoke wider appreciation the more they receive serious attention of all concerned.

Professor (Dr.) Ranjan Chakrabarti Vice-Chancellor

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7 Unit 1 ppppp Nature and scope of Research Methodology Structure 1.1. Introduction 1.2. Research Methodology 1.3. Scope of research and research methodology. 1.4. Summary 1.5. Questions 1.1. Research It is the search for knowledge that has shaped the human civilization. This search for Knowledge has led to scientific development and business progress through stages of invention, innovation and diffusion. This is an unending process too. What we establish today may become insufficient to explain the future experiences, For ex-ample, the concept that light travels in a straight line was a sort of knowledge with which experiences of reflection and refraction could be explained. But the presence of minute dark and light bands at the end of a shadow could not be explained with that knowledge. This called for a reexamination of the entire concept and the knowl-edge that came out of the new search was the wave theory for the movement of light. In fact, light is considered variously as a wave, corpuscular or quantum phenomenon. This process of examination and re-examination of different issues based on obser-vations and or experiences is aimed at expanding the domain of knowledge. This is a continuous process. It starts from where it ends. It is a movement from known to unknown. This movement is called Research. This movement cannot be an aimless one or a haphazard one. There must be a systematized effort to gain new knowledge based on the existing knowledge and additional observations / experiences. Thus, one may, formally,

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define research as a scientific and systematic search for pertinent information on a given topic.

For example, if we are interested in the field of marketing then marketing research will be defined

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as the systematic and objective search for and analysis of information relevant for the identification and solution of any problem in the field of marketing.

Question may arise about the emphasis given on the terms 'scientific' or 'objective', and 'pertinent or relevant information'. Actually, if research is allowed to be guided by personal views and personal considerations the utility of the research outcome will get significantly reduced. This type of biased conclusion is also very risky. Sometimes, risks are so high that one may not be able to use the research result at all. Research in the field of social science is more prone to subjective search than objective search. 8 Researcher must take adequate guard against these subjective influences and make the searching process an objective one. It has also been observed that quite often irrelevant information is collected because of unclear idea about the information needs. Collection of irrelevant data not only increases the cost of the project and duration of the work but also creates difficulties during the analysis stage. It is, therefore, absolutely necessary to diagnose the information needs of a research project to plan the process of data collection. If properly planned, one can restrict the flood of irrelevant information and collect pertinent information only. Information needs depend on the research problem itself. A clear understanding about the research problem eliminates much of the hurdles. This is because the search process can then be made more systematic and more scientific. The research methods and techniques to be used at different stages of the search process can be outlined in a better way. These, in turn, can give a clear idea about the information requirement. Researcher will know which information is pertinent and which the tion is not. Thus, formulation of the research problem and development of tte search process are two very important aspects of research. The later one is often referred to as research methodology. 1.2. Research Methodology Research Methodology can, formally be, defined as a way to systematically and objectively solve the research problem. It tfis many dimensions to address. It not only describes the research methods to be adopted but also explains the suitability of one method over the other. It deals with the assumptions in sequence, their feasibilities. It describes as a whole how the researcher wants to arrive at a rational solution to his research problem. In this sense, research methodology is problem-specific. It starts by indicating why a research project has been selected. It explains how the research problem has been formulated. It presents the reasons behind the choice of hypothesis, choice of data sources. It presents the methods of data collection and describes the importance of data. It defends the choices of analytical techniques for extraction of information from the collected data. It covers many other aspects of the research activities to ultimately make the research results acceptable to others. Research methodology is, sometimes, mixed up with the term 'Research Methods'. But, conceptually, these two are different concepts. We have already explained what research methodology is along with its importance. Let us define the other term, i.e., research methods. Research methods are tools and techniques the researchers make use of while performing their research activities. Thus, methodology is problem-specific and methods are problem-independent. Research methods provide a set of different tools and techniques but in research methodology we make specific choices of different methods along with the reasons for such choices. Further, research meth- odology addresses the complete problem under study but research methods are of use for sub problems of

9 the entire problem. 1.3. Scope of research and research methodology Scope of research methodology is related with the scope of research itself and the way it is to be carried out. Be it scientific field or economic field or administrative field, research and research methodology have very important roles to play. In fact, in the recent past the role of research in the field of macro and micro economic activities has assumed a significant position widening the scope of both research and economic activities. This change in the role of research can be attributed mainly to growing complexities in the economic environment and to discrete changes in the business environment throughout the globe. Now-a-days nearly all government policies on the economic system are having an in-depth research backdrop. Government machineries carry out detailed analysis on the needs and desires of people at large and societal segments in particular to arrive at the future plan of the Government. No government can survive for long without meeting the social requirements. In fact, cost of carrying out research is much less than the cost of repairing measures if policies move in the wrong direction due to incomplete analytical studies. These remarks are equally applicable for corporate planning or operational planning of a business organization. If a business organization does not carry out adequate analysis of the business environment, it may have no other way out but to go for early retrenchment strategy. In our country, research in government has been playing an important role by facilitating the decision making process and providing with pertinent information to the policy makers. Since there is region heterogeneity not only in respect of language and culture but also in respect of the level of development and economic growth, there is a basic need to understand the regional requirements and make allocation of nation's resources in a judicious manner so as to eliminate the disparities and march together for a better future. Our five-year plans are aimed at a balanced development, which is more than a mere growth in the national income of our country. To become effective in respect of targets and efficient in respect of utilization of human and nonhuman resources, planning commission is engaged in applied economic research with central statistical organization as the main source for pertinent and detailed information. In fact, research as a tool for economic development and formulation of economic policy has three distinct phases of operation. The first phase of operation is known as investigation of economic structure. This phase involves continuous compilation of facts and figures for depicting the structure of the economy. In the second phase one diagnose the events along with their root causes of occurrence. Once the underlying causes are known it will be easier for the researcher to regulate them or take preventive measures to neutralize them. Next comes the obvious problem of prediction, the corresponding phase being known as prognosis phase. Keeping in mind the prediction requirement one may work out for future forecasting and arrive

10 at an appropriate economic policy has three distinct phases of operation. The first phase of operation is known as investigation of economic structure. This phase involves continuous compilation of facts and figures for depicting the structure of the economy. In the second phase one diagnose the events along with their root causes of occurrence. Once the underlying causes are known it will be easier for the researcher to regulate them or take preventive measures to neutralize them. Next comes the obvious problem of prediction, the corresponding phase being known as prognosis phase. Keeping in mind the prediction requirement one may work out for future forecasting and arrive at an appropriate economic policy. In view of the growing environmental complexity and uncertainty and global competition, research is also having an important role to play for business planning to efficiently handle the functional activities and draw the future strategy of the economic unit. Basic functional activities cover marketing, production, logistics, human resource development and research & development. Resources are allocated to different functional areas depending upon their resource requirements, their past performances and achievements. In the field of production and operations management common research problems are the problems of cost minimization, assembly line balancing job-sequencing, transportation of items from plants to warehouses and from warehouses to markets. In the field of marketing management common research problems are the problems of sales analysis and forecasting of demand, new product development and test marketing, advertising and media selection, brand switching, consumer behaviour etc. Besides, research is being carried out in the fields of man-power planning, labour turnover-, job satisfaction, absenteeism etc. 1.4.

Summary Research is a movement from known to unknown, it involves systematic and scientific search for pertinent information on a specific topic. It is a continuous process that expands the domain of knowledge. Research methodology is a way to carry out research. It describes as a whole how the researcher wants to arrive at a rational solution to research problem. It explains the choices of research problem, hypothesis, data sources, methods of data collection, analytical techniques etc. to ensure acceptability of the research outcomes. Research methodology is different from research methods because the later is a collection of different tools and techniques, a researcher may make use of. Scope of research methodology is related with the scope of research and scope goes beyond scientific field. Research is increasingly in use to shape the governmental policies and the national economy. It is a must for business units for corporate and functional planning in the

11 face of complex environmental changes. 1.5. Questions Long answer type Questions : 1. What do you mean by research? Explain with examples from any field of importance.. 2. Explain the needs for scientific and systematic search. 3. Research Methodology and Research Methods are two distinct concepts. Do you agree? Give reasons. 4. Describe the scope of research in economic and administrative activities. Short answer type questions : 1. Why do we need pertinent information? 2. What happens if the search is haphazard? 3. Starting from the definition of research, define marketing research. 4. What do you mean by phases of research related to economic policy? Objective type questions : Indicate whether the following statements are true or false. 1. Research is a movement from unknown to known. True False 2. Search for pertinent information increases the cost of search. True False 3. Research is more meaningful when there are discrete changes in the business environment. True False 4. Research methodology is problem specific. True False 5. Research as a tool for economic development has two distinct phases. True False 6. Business and research are antithetical. True False 7. Arriving at a decision without research is less costly in the long run. True False

12 Unit 2 ppppp Different aspects of a Research Process Structure 2.1. Research process 2.2. Problem formulation 2.3. Summary 2.4. Questions 2.1. Research process To have a clear idea about the research methodology and research techniques one has to understand the generic process of research. -It involves different steps which are not necessarily separable and distinct. However, for the sake of a general presentation we shall indicate different steps of the research process in order to help the researcher in developing disciplined thinking and a rational bent of mind. The first step is to define the research problem. If the problem is not well defined the search process cannot be scientific and complete. Incomplete search may lead to an incomplete answer. Further, a non-scientific approach may result in subjective conclusions, which cannot be of use in future research investigations. Sometimes, wrongly carried out research may mislead the future studies, resulting in wastage of intellectual energy. A well-defined research problem, on the other hand, can be instrumental in guiding the search process by giving a clear understanding about what is to be done and why it is to be done. There are basically two types of research problem. One type of research problem attempts to examine the states of the nature. The other type of research problem wants to establish relationships among different variables of interest. These two are very broad areas. But one should start from one of these areas. Gradually, one should converge to the specific problem by reducing the ambiguities in the formulation of the problem. In this process, domain of study becomes properly defined. This, itself, is a type of scientific work and is the key step of the research process. The second step is to review the concepts and theories and the previous research findings. This step is in line with our stated philosophy of research - a movement from known to unknown. This means we need to develop a clear idea about the existing knowledge. Existing knowledge being the starting point of any research work, one has to extensively study the literature in the field of interest. Sometimes, studies in the related field may be of immense help. One may start with the current journals, study the relevant research articles and examine the cited references and more backward to the extent needed. Current articles will give a list of references. Each of those references will give a list of earlier references. By keeping a track of all those references, one may get a clear idea about the current concepts and theories and the trend of work. Seminar volumes, conference proceedings, research reports, government publications, websites, current books and even popular magazines may act as sources of existing knowledge. Published and unpublished theses are also of great help for this purpose. All these references are to be arranged alphabetically along with their summary of findings. This entire exercise is a systematic search that will help the researcher to move in the right direction. The third Step is to formulate the working hypothesis. It is the tentative assumption about the focal point of research; tentative in the sense that extensive study of the literature leads to this assumption but it is to be tested in the light of the researcher's experiences and or observations. Once the hypothesis is framed, analysis gets streamlined and the area of research gets limited. It goes on keeping the researcher on the right path by reminding him of the local point of work. It also helps the researchers to become clear about the data requirements and information needs. Mostly, working hypothesis fixes a value for a measure of the population under study. This measure may be a measure of location or a measure of dispersion. Sometimes, working hypothesis deals with interrelationship amongst a group of variables or attributes, one may be interested to know whether sets of variables or attributes are independent or not. In case of dependence one may be interested to know the extent of correlation. Occasionally, one may face a situation where a researcher does not need to make any tentative assumption in the form of a hypothesis. Mostly in situations where the researcher wants to gain familiarity with a phenomenon, formulation of hypothesis is not needed. Nevertheless, it is an important step to be followed wherever necessary. The fourth step is to prepare the research design. By research design we mean a conceptual framework within which the investigation is to be carried out. Basic purpose of such a design is to induce efficiency in the research work while remaining effective at the end. The term efficiency is related to utilization of human and non-human resources in an optimum manner. In research, effort, time and money are the key resources, consumptions of which are to be minimized. This is, no doubt, a difficult task and it depends on the purpose and nature of research work. Generally, a researcher one' should address the following issues while developing the conceptual framework of research: How the sampling units are to be drawn? How the selected units are to be observed? How the analysis is to be carried out? How the entire process is to be operated?

14 While addressing these issues the researcher must take into consideration the constraints he/she will be facing. These constraints mainly arise out of the availability and skills of the supporting staff, allocated time for this purpose and availability of funds, for research. The fifth step is to collect the data. There are different ways of collecting the data, each way having its own merits and demerits, Here again, cost of collection and time needed for collection are two important issues that are to be kept in mind while deciding about the way of collecting the data. For example, primary data can be collected through survey work. These can also be obtained as the outcome of an experiment. Secondary data can be collected from statistical publications of governmental and non-governmental organizations, annual reports of business units, periodicals of different associations and technical bodies. Earlier research studies may also act as sources for secondary data. The sixth step is to analyze data and test hypothesis. This involves consistency check at the very outset. If the collected data fail to ensure consistency either fresh collection of data is to be undertaken or the collected data is to be cleaned or dressed up so that the resultant data set becomes ready for further analysis. Codification is a several procedure to be adopted for ease of tabulation. The objective of codification is to transform categories of data into symbols that can be tabulated and counted. Once coding operation is over data is to be summarized initially in a tabular form. In fact, number of tables can be formed out of a given data set following different classification system. For example, consumption data may be classified according to age, sex, income and educational background of the consumers giving rise to four tables from the same data set. There may be cross-classifications to arrive at bivariate tables. For example, one may classify according to age and sex or age and income. Computers can be of help in tabulating voluminous data with increased accuracy and reduced time. After the tabulation work, a researcher takes up the task of analysis. Analytical studies mostly make use of the tables for ease of derivation. There various statistical measures to describe the central tendency and dispersion of data. These can be, easily, calculated from the frequency table or from the raw data. In case of bivariate or multivariate data, one may examine the nature of dependence among the variables, differences among the marginal characteristics, or a multivariate measure based on the joint distribution. After the analysis of data one may go ahead with the testing problem and examine the tenability of the working hypothesis framed at the beginning of the research process. In the light of the given information derived from the collected data one may draw the necessary conclusion either in the form of the hypothesis or against the hypothesis. Either the null hypothesis, i.e. the

15 working hypothesis will be accepted or rejected. In case there is a very strong evidence on the tenability of the hypothesis, the researcher may generalize the related concept into a theory. This generalization is the main aim of any research work. The seventh step is to prepare the report of the thesis. This report should describe the work of the researcher by presenting an introduction on the problem, summary or preview of the work, main work and conclusions. References are to be added at the end. While writing the report every care should be taken by the researcher to avoid vague expressions, redundancy, repetition and incompleteness. Each and every conclusion should be supported by facts and figures. Every statistical test should be accompanied by a statement on level of significance and distributional assumptions. It is also desirable that the limitations of the work be clearly stated so as to help the future research in that area. The following is a schematic presentation of the research process as described above. It may be pointed out in this context the generic nature of the above mentioned research process. Depending on a specific problem one may expand a step into multiple

16 steps and may skip a few steps stated here in. We also propose to present a more detailed discussion on some of the steps and methods.

2.2. Problem formulation

Let us start with a symbolic presentation to define the research problem. Let I be an individual or a group, E be the environment in which I is there, C_i , be the i -th course of action, $i \geq 2$, and O_j , be the j -th outcome, $j \geq 2$. Here, E needs to be defined in terms of the values of the uncontrollable variables or parameters. A course of action, on the other hand, can be described in terms of one or more controllable variables. Let $P\{O_i | I, C_i, E\}$ be the chance of occurrence of an outcome O_i if I opts for the course of action C_i in the environment E . To make the problem interesting and meaningful at least one of the above-mentioned chances, must be different from the rest. In case this is not, all the courses of action are taken to be equally good and there is no meaningful problem under the given setup. When chances are not all equal, the researcher's job will be to find the best course of action so that the researcher can achieve his/her objective in terms of the preferred outcome. This means, out of at least two outcomes of a course of action one outcome should be preferable. Given the above setup, if the individual I does not know what will be the best course of action then there is some doubt about the choice of the course of action. In that case, there exists a problem, which needs further investigation. Thus, we can enlist the components of a research problem as 1. existence of an individual or a group having some doubt about the best course of action, 2. existence of some objective, to be achieved by undertaking the best course of action, 3. existence of multiple courses of action for obtaining the desired objective. 4. existence of problem regarding relative effectiveness of the alternative courses of action, 5. existence of an environment that perturbs the deterministic nature of the outcomes, and 6. desire of the researcher to find out the best solution for this given problem in the context of the stated environment. A problem becomes complicated when the environment is unstable affecting the values of the outcomes. Complications also arise in case there are large number of alternative courses of action. Sometimes, if person not involved in making decision, get affected

17 by the outcome, additional difficulties may creep into the system. Selection of the problem is, therefore, very important and requires utmost attention. As a thumb rule we may state that 1. a subject which has received limited attention in the past is a fit case for selection provided it has a wider scope of application, 2. a subject about which existing knowledge is vague and concrete formulation of the problem is difficult, is to be avoided, 3. a subject which does not meet the feasibility requirement should preferably be avoided, 4. a subject which is familiar but not overdone may be selected for study and 5. a subject which is not too familiar may be selected for study provided the preliminary study that precedes the main study supports such a choice in an unfamiliar area. Once the selection of the problem is over, the researcher must define the same in a formal way and this definition should be as clear and concrete as possible to eliminate the future hurdles. Basically defining a problem means indicating the objective of the study along with the domain of investigation. This definition is to be arrived at in a systematic and sequential manner. Let us describe that sequence-which is prescriptive in nature involving five steps, Step 1. Start with a broad area of interest either from the scientific point of view or from the intellectual point of view or from the practical point of view undertake a pilot survey to throw light on the feasibility of the study and then seek view of the experts and guides to state the problem in a general way. Step 2. Try to understand the origin of the problem so that the thinking and rethinking process over the problem can be streamlined, focused and accelerated. Simultaneously, study the other nature of the problem to get an idea about the work boundaries. Step 3. Scan the available sources of information and conduct an experience survey to know more about the problem under study. Select the specific areas, based on such discussions, so as to limit the field of investigation and know the techniques that can be used for analysis. Further, examine gaps in earlier works, weaknesses of earlier assumptions, limitations of earlier analyses etc. Step 4. Rewrite the research problem in a focused manner by incorporating the initial general statement and the subsequent information gathered under steps 2 and 3. Rephrase the words wherever needed to make the proposition operationally viable and suitable for the formulation of working hypothesis. Step 5. Include in the statement of the problem definitions of the technical terms used there in, assumptions and postulations made for further analytical treatment or for qualitative analysis. Also indicate the period of reference, place of interest if any and the value and the scope of the investigation. Let us explain through an example how a general statement of the research problem

18 can be made more specific and operational. Let us suppose that the broad statement of the research problem be as follows "To study the application of image processing techniques in business activities." This is a statement where practical concern relates to business activities, this area of interest is not a specific one and cannot be made operational without further specification. If we propose the banking sector it will narrow down the domain of study. Further, based on the earlier works and experience survey we may consider the issue of security solution as the more specific domain of study. Throughout the globe failure in security causes financial loss of a large amount and more amount of money is being spent to investigate into security lapses. Thus, if a security solution can be provided for, the banking sector will save enormous amount of money and the loss of face will be reduced or eliminated. This study being a technical solution for security problem specification of a time period may not be necessary. However, place of study may have direct impact on the choice of biometrics and hence the place is to be specified. Let us propose to carry out the study for the Indian banking sector only. So far as image processing is concerned there are basically four generic approaches. These are respectively template or prototype matching, syntactic approach of matching, matching through neural network and statistical approach of matching. We may consider the last approach, i.e. the statistical approach. Then the new title of the research problem may be read as "To study the application of the statistical approach of biometrics matching as a security solution for the Indian banking sector." This title be rephrased to highlight on the application aspect of the study and hence the research problem may be described by the following title "In search of a security solution for the Indian banking sector using the statistical approach of biometrics matching." 2.3. Summary Research process is a systematic stepwise procedure that can help the researcher in developing disciplined thinking and a rational bent of mind. The first step is to define the research problem, which may be either an attempt to examine the states at the nature or an attempt to establish relationships among different variables. The second step is to review the concepts and theories and earlier research finding so as to acquire a clear idea about the existing state of knowledge. The third step involves formulation of the working hypothesis, which is to be subsequently tested in the light of the researcher's experiences and or observations. There are situations where formulation of hypothesis is not needed especially when the researcher wants to gain familiarity with a phenomenon. The fourth step is to develop the research design that provides with a conceptual structure for carrying

19 out the detailed investigation. The basic objective is to become effective with efficient utilization of human and nonhuman resources. Collection of data is the fifth step of the research process and the researcher has to decide about the way of data collection keeping in mind the time and cost constraints. The sixth step involves planning for analysis of data and testing of hypothesis. The raw data is to be cleaned, coded and tabulated. Based on the looks generated in this process the researcher can analyse different features of the data set. Thereafter statistical tests can be employed to arrive at the conclusion part of the work. The seventh step is to prepare the report, describing the entire work, its applications and limitations. Problem formulation is the starting point of the research process. It depends on the objective, different courses of actions with probabilistic outcomes and an environment with reference to which the problem is to be solved. The problem becomes meaningful only when the chances of achieving objective through outcomes are unequal with doubts about the relative effectiveness of different courses of actions. There are some thumb rules for the selection of a problem. They deal with familiarity, feasibility, applicability, and whether a subject is overdone or not. Generally, development of a formal definition of a problem starts with a general statement and converges to the specific statement after preliminary literature survey and experience survey covering views of experts in the field.

2.4. Questions Long answer type questions : 1. Describe, in brief, different steps involved in a research process. 2. Draw the flow chart for research process and explain the step you consider as the most important one. 3. "If the individual does not know what will be the best course of action in that case there exists a problem." Examine this statement explaining the roles of individual and courses of actions. Explain the reasons for not knowing the best course of action. 4. Describe how a research problem is to be selected from a set of research problems. 5. Explain with an example the steps involved in defining a research problem. Short answer type questions : 1. How does a researcher carry out literature survey? 2. What do you mean by working hypothesis? Is it a must to have a working hypothesis? Give reasons. 3. Why do we call research design as a conceptual framework?

20 4. What are the aims of data analysis and testing of hypothesis? 5. Enlist the components of a research problem. Can there be a single course of action or a single output? 6. Do you agree with the statement "A subject which is overdone should not be normally chosen"? If agreed, give reasons. 7. Why do you think that rephrasing is needed for defining a research problem? Objective type questions : Indicate whether the following statements are true or false. 1. Research design is a support of research process. True False 2. Working hypothesis describes the underlying assumption in a research work and not the idea to be tested. True False 3. Primary data can be collected from the government publications. True False 4. Cleaning or dressing up of data is needed before the tabulation of data. True False 5. A research problem should be rigidly defined so as to induce flexibility in the study. True False 6. There are basically two types of research problem, True False 7. Generalization of a concept into a theory is the ultimate aim of any research work. True False 8. Chances of occurrence of all the outcomes for each course of action must be equal to make the research problem interesting and meaningful. True False 9. In a problem there must exist multiple courses of action for obtaining the desired objective. True False 10. A problem becomes easier when the environment becomes stable. True False

21 Unit 3 Research Design Structure 3.1. Research design as a conceptual framework 3.2. Research design according to types of research 3.2.1. Research design for exploratory or formulative research 3.2.2. Research design for descriptive and diagnostic research 3.2.3. Research design for hypothesis testing research 3.3. More about experimental design 3.4. Summary 3.5. Questions 3.1. Research design as a conceptual framework The research design provides with a conceptual framework within which the research activity is to be carried out. The basic objective is to minimize the bias and maximize the reliability of, the collected data and the subsequent analysis. It also addresses the issue of the economy in the procedure so as to carry out the research works with minimum cost. Major components of a research design are sampling design, observational design, statistical design and operational design. Under sampling design one has to plan for

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the method of selecting the items which are to be studied under the research study. Observational design describes the conditions under which the selected units are to be observed. Statistical design

prescribes the desired sample size and the analytical- procedure for extracting information from the collected data. The last design is operational design that deals with actual execution of sampling design, observational design and statistical design. It ties together these three designs to present a unified system. Research design is a preplan for collection and analysis of data. Hence, one may consider research design as a strategy on the part of the researcher for gathering information and undertaking analytical studies. In all types of planning activities one has to take into consideration the available and mobilize-able resources and make use of these resources in an optimum way. Preparation of research design is no exception to this general rule. One has to take into consideration the availability and skills of research associates, availability of time and fund for completion of the research work. In a planning process the starting point is the objective of the organization and given the goals to be

22 achieved means are worked out under resource constraints. While framing the research design we have to follow an identical path. The objectives of the research will be the starting point for developing the research design. Once the well thought research design has been made, remaining task is to strictly adhere to the design, and implement the work according to plan. Unfortunately, researchers sometimes undertake research activities without such proper planning, i.e. without a research design. Mostly they land up with unproductive work or with very limited application. Even if it is possible to come out with a solution to the research problem, the unplanned approach may lead to high cost and considerably high penalty. In today's competitive world any unwanted delay in the research work may deprive the researcher of the recognition as others may get their works published and recorded in the scientific literature ahead of haphazard research planner. Keeping in mind the above problems we may claim that the development" of research design is a must for completing the research work in right time with right cost and in a right manner.

3.2. Research design according to types of research The nature of the research design will vary from problem to problem. One cannot think of a standard remedial measure that fits for all types of research. Let us initiate our discussion by classifying different types of research and examining their planning needs. Only then one can suggest the appropriate designs and means for arriving at these designs. There are four broad groups under which one can classify different research problems. These groups are made according to research objectives. If the objective is to become more familiar with a phenomenon or to throw additional light on it, the concerned research work may be termed as exploratory or formulative research. If the object is to describe the state of affair with respect to a unit or a group, the concerned research work is referred as descriptive research. If the frequency of occurrence of an event or its occurrence in conjunction with another is the subject of interest of any research study, the same is known as diagnostic research. The research for studying the relationship among different variables is known as causal research which is often described as hypothesis testing. Research objective may be different combinations of the above-mentioned four objectives. For such cases the research activities may be termed as mixed research. Research design will thus be of four specific types, namely, exploratory, descriptive, diagnostic and causal research. For a mixed research, the research design will be a combination of some or all of these specific research designs. The features of a research design depend on the type of research one proposes to do. An exploratory or a formulative research must be supported by a flexible design to permit changes in the exploration activity as and when needed. In case of a descriptive or diagnostic research accuracy of the portrait is very important and calls for minimum bias and maximum reliability in collected data. Let us explain the different research designs according to the type of research, i.e. exploratory or formulative

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research, descriptive and diagnostic research and hypothesis testing research. 3.2.1. Research design for exploratory or formulative research Since the objective of this type of research is to formulate

the problem for more precise enquiry the major emphasis is given on greater insight and on generation of ideas. Flexibility is the key word for transforming a broadly defined research problem to a precisely defined one through survey of related references, experience survey and case analysis. Experience survey is the survey of experienced people who have direct knowledge on that research problem under study. They can help to have greater insight and may share new ideas with the researcher. These persons are to be selected based on the criteria of experience and competence and not based on a random mechanism. They are to be interviewed mostly with probing questions. Even on occasions they may be permitted to ask counter questions or raise issues not apprehended by the researchers. It is the flexibility in the collection of information that may help the researcher in noting the unnoticed issues, focusing the process of search and rephrasing the research hypothesis to make it more meaningful and precise. Case analysis involves study of selected instances of the phenomenon to stimulate insight into the research topic. Because of this fact, case analysis is also known as analysis of insight-stimulating situations. These cases are to be so selected as to cover the extreme situations and become aware of the different features or dimensions along which the hypothesis can be reformulated. Attempts should be made to cover the views of heterogeneous groups or individuals, if needed on those cases so that analysis can be multidirectional. We may conclude that for exploratory or formulative research the overall design must be flexible to capture different aspects of the research problem as and when the additional information creeps in. For experience survey, one should take care of purposive or judgment sampling in place of probability sampling. Selection of cases should also be made according to the research purpose to project the extreme situations. No preplanned procedure can be suggested for making observations. Unstructured instruments are the best choices for collection of data. Also, one cannot preplan the statistical or other analyses. In view of all these flexibilities needed at every stage, starting from sampling design going up to statistical design, one can hardly fix the operational design.

24 3.2.2. Research design for descriptive and diagnostic research Research design for descriptive and diagnostic researches must be rigid and categorically defined. It must address the basic issues relating to collection of data, processing of data and reporting of the findings. If the rigidity is relaxed, the collected data may not be sufficient enough to provide with reliable information and unbiased measures. It is desirable that the instrument for data collection be pre-tested. Different instruments/ which are mainly used for descriptive and diagnostic research, are observation, questionnaire, interview and earlier reports. Units are to be selected based on a rigidly defined sampling design. Probability sampling is recommended to eliminate the bias, if any, on the part of the researcher. The observational design must also appreciate structured instruments. Preplanning is needed for carrying out statistical analysis and other analytical studies. All these rigidities stress the need for advance decisions on the administrative procedures to make the above designs operational.

3.2.3. Causal Research In hypothesis testing research, one has to infer on causal relationship. We shall now discuss the framework under which such studies are done. The framework is known as Causal Research. The necessity of having such a framework can be understood if one considers a limitation of descriptive studies. Descriptive studies can capture the features of a phenomenon with a measure of success. But they do not aim at attaining precision in prediction. Usually, the researcher tries to attain a precision in prediction by identifying the cause and effect relations among the factors that describe a phenomenon. Precision, in quantitative terms, can be achieved by describing the factors as variables and then identifying the underlying relations among the variables. Usually, this is done by understanding the relation of causation in the phenomenon under study. The study is therefore, called a causal study and research framework is often noted as Causal Research. The basis of causal study is the understanding that there exists a cause and effect relation that explains the feature and the behaviour of the object under study. The philosophical root of causality as a method of study is positivism, which is usually applied in the study of the natural phenomena. Ordinarily, the causation is studied in terms of variables, which are usually taken to be quantifiable. However, the logic of causation is applied also in such cases where the variables are qualitative in nature. In empirical research, usually, the causality is first conceived in a theory that describes a phenomenon in terms of cause and effect relation. The relation is then tested empirically by having the data with respect to variables under study. Some-times, the theory is found to be inadequate for developing a working hypothesis for empirical research. In such a situation, the researcher takes recourse to experimental study for unfolding the causality that might be hidden in the phenomena. (See Experimental Technique and Experimental Design in Unit 5). In the causal studies, the variables are first understood as explained and explanatory set of variables. The causal variables are known as explanatory variables and outcome or the effect of the causal variables are noted as explained variables. For example, the quantity demanded with respect to a particular product (assumed to be captured in sales figures) might be taken as explained variable. From theory, one understands that the sales values of the product is explained by several factors such as the price of the product (P_x), the price of the related products, (P_y and P_z), the purchasing power of the customers (captured through the disposable income (Y) of the target group of customers) and also the residual factors, i.e., the factors that have not been taken care of in the theoretical construction. If the sales data describe the amount of the product sold and we note it as quantity demanded (X_d), then X_d is the explained variable and according to the theory, X_d is explained 'by a set of explanatory variables such as P_x , P_y , P_z , Y and R which is the symbol for the residual term. In simple mathematics this is a description which is written as $X_d = f(P_x, P_y, P_z, Y, R)$. In empirical research the researcher then specifies the exact form of the function and tests the validity of the relation by taking recourse to the econometric analysis. Given this broad outline, we shall now discuss the types of causation that we may conceptualise, while taking up the empirical research.

Deterministic Causation . The causation is considered to be deterministic, if the identified explanatory variable can explain the behaviour of the explained variable completely. Consider for example, the previous example of the behaviour of the sales data that is supposed to describe the demand behaviour of the product. If it is assumed that the demand of the product described through the quantitative information of the sales data and the quantity sold is explained by four explanatory variables, namely price of the product (P_x), price of related products (P_y and P_z) and the level of income of consumer (Y), then, in effect, it is being suggested that the volume of sales is completely determined by these four factors. The implication is to be noted carefully. If we know the exact relation by which these four explanatory variables are related to the explained variable, then for various given values of P_x , P_y , P_z and Y we can determine the quantity demanded for the product (X_d) with all the precision.

26 A causal study which is performed under this framework is known as a study under deterministic causation. 1 Probabilistic Causation Let us try to enter deeper into the problem. How one knows that X_1 , X_2 , and X_3 , are three variables, which are necessary as well as sufficient to capture the movement of the variable Y ? The answer could be that we get it from the theory... in this case from the theory of demand for the product under consideration. How the theory is developed is a different issue and does not belong to the purview of the present discussion. The researcher accepts the theory as a robust one so much so that according to his belief the theory has the power to explain fully the behaviour of X_d , from the given information on P_x , P_y , P_z and Y . No theory, however, is that much robust at heart from the empirical point of view. If we test the theory for empirical verification, one will observe that even with an exhaustive set of the explanatory variables, one cannot explain the behaviour of the explained variable in totality. A gap will still exist-the gap between what the theory explains and what occurs in reality. The gap will, of course, be below; given that the theory is sufficiently robust. A robust theory will minimise the gap, but the gap is still expected to exist. The reason is that there is basic randomness in the behaviour of the variables under the study. The root of this randomness is, of course, the incompleteness in knowledge. But this incompleteness, one suspects, will exist forever. The researcher in the empirical area of the subject needs a tool to tackle such a situation. A probabilistic model that contains/captures the chances of occurrence of the explained variable, given the occurrence of one or more explanatory variables, can be suggested as the effective way of handling such a situation. Instead of taking a deterministic model one may gain by replacing this with a probabilistic model where the researcher enters a disturbance term in the proposed regression. The disturbance term is taken as a random variable with a given probability distribution.. 3.2.4. Concluding Observations on Research Designs While setting the research design, a practitioner should note that a particular research design is drawn on the basis of the suitability of the proposed design in the context of the research problem. The researcher shall have to apply his own judgement as regards the suitability of a particular design in the context of a given research problem. It is not 1. When we run a regression with X_d as the explained variable and P_x , P_y , P_z and Y as explanatory variables, it may so happen that the regression cannot explain X_d completely in terms of the four explanatory variables. Still the model will be considered as a deterministic model because the model starts with certainty, which part remains unexplained by the selected explanatory variables.

27 necessarily true that the causal research design would be the first choice for a researcher because it contains more mathematical rigour. For a particular research problem the most suitable design might be the exploratory research design. In some cases a descriptive research design might be tackled best by drawing a research design which contains the elements of various designs that have been outlined above. In other words, flexibility in research design is key to a good research. The researcher will be rewarded best if he draws his research design according to his perception of the research problem keeping in view that a part of the research might be exploratory in nature; but at the same time some parts contain the research issues that could be addressed in a better way if the design is causal in nature. An understanding about the alternative research designs helps the researcher understand the nature of options that he may apply while pursuing a research problem. 3.2.5. More on Hypothesis Testing In hypothesis-testing research one has to infer on causal relationship. To do so, one may have to conduct experiments not only to ensure minimum bias and maximum reliability but also to provide information on marginal and joint effects of the causes under study. The research design for such studies is also known as design of experiments. Though experimental design made a humble beginning in the field of agricultural research, it is now a subject by its own merit. However, in view of its agricultural origin several terms such as treatment, plot, block, yield etc. will be in use in the description of experimental design irrespective of the field of study. There are three basic principles, which are of use in making the inference sound and powerful. These are respectively the principle of replication, the principle of randomization and the principle of local control. Let us explain these terms in sequence. The principle of replication underlines the need for repeating the experiment more than once. This means each treatment is to be applied on more than one experimental unit. During the stage of analysis, the estimation of treatment effect can be done with increased statistical accuracy with the standard error inversely proportional to the square root of the number of replication. Sometimes the entire experiment may be repeated several times to attain a targeted level of accuracy. It may, however, be kept in mind that greater replication means higher cost and greater computational work. It is therefore, the task of a researcher to design the experiment in such a way that there can be an optimum balance between accuracy and cost. The principle of randomization provides a guard against effects of extraneous factors. Extraneous factors are those factors that are not related with the research study but may affect the dependent variables, if not properly planned. The effects of extraneous variables

28 on dependent variables are technically referred as experimental error. The purpose of the experimental design is to see that the effects on the dependent variable can be attributed solely to the independent variables and not to the extraneous variables. Then, variations caused by the extraneous variables can all be combined under the chance category. The principle of randomization in its purest form means random assignment of treatments to experimental units or random selection of experimental units for assignment of a given treatment. The principle of local control is also known as error control. In the simplest case, division of experimental units into homogeneous groups or blocks can eliminate the variation among the groups or blocks from the error and increase the efficiency of the experiment. Sometimes, restricted random allocation of the treatments to experimental units may ensure reduction in error and increase in efficiency of the design. There are other means of controlling error. Size and shape of the experimental units are having effects on the error. If we consider agricultural plots of land as experimental units, plots of bigger size may tend to be fertility-wise heterogeneous and invite more error. Another interesting way of controlling error is the use of confounding approach.

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When the dependent variable gets affected by the extraneous variable the relationship between the dependent and independent variable becomes confounded by that extraneous variable.

In experiments involving large number of factors or treatments. the blocks of experimental units become large in size. To avoid this problem of large block size and the resulting problem of high degree of error due to heterogeneity, one may divide the block into multiple parts confounding the effects of some treatment combinations with the block effects. In general, all these three principles can be used simultaneously while designing an experiment. While replication and randomization can be applied together to validate the error estimate, replication and local control can be combined for diminution of the error component. Let us reproduce below Fisher's diagram to explain how these three principles act on the error component to ensure validity of the estimate of error and control the extent of error.

29 Regarding the statistical design for such experimental research, the analysis of variance (ANOVA) technique is very useful to provide information on total variance, error variance, block variance (wherever applicable) and treatment variance. Treatment variance may be subdivided into multiple components so as to examine the main effects of the treatments and joint effects of their combinations. Effects of combinations of treatments are also known as interactions. First order interactions are those effects where two treatments get combined. Higher order interactions take into consideration joint effects of more than two treatments. However, for informal experimental designs which are frequently used in business research and research in social science, comparison of proportions or means can be used to arrive at an overall conclusion about the effectiveness of a treatment. The differences among the research designs for the four types of research studies (exploratory or formulative, descriptive and diagnostic and hypothesis-testing) can be summarized as follows : Research design Overall design Specific issues: (a) Sampling design (b) Observational design (c) Statistical design (d) Operational design Descriptive research and diagnostic research Rigid design to ensure minimum bias and maximum factual reliability under cost. and time constraints. Probabilistic sampling design is needed to minimize sampling bias and obtain valid estimators. structured instruments are used to collect information and data. Preplanning is needed to design the analysis of information and data. Preplanning is needed to make the rigid design operational in practice. Exploratory or formulative research Flexible design to keep scope for considering different additional aspects of the problem as the research work progresses. Non-probabilistic sampling design is preferred for selecting respondents based on purposive or judgement sampling Unstructured instruments are used for the collection of information and data. No preplanned analytical procedure Analysis depends on the actual information collected. Preplanning is not possible about the operational procedure due to flexibility of the system. Causal research Rigid design of experimental type to ensure minimum bias, maximum reliability and valid information on causal relationship. Experimental design is preferred based on the concept of randomization, replication and focal control. Instruments are needed to measure or observe the effects of experimentation. Mostly ANOVA technique is being used for formal experimental design. Other statistical methods be applied too. Preplanning is needed to conduct the experiment to observe the experimental results. Type of study

30 3.3. More about experimental design Experimental designs are of two types; informal experimental design and formal experimental design. Informal experimental designs are less sophisticated and easy to implement. Formal experimental design employs sophisticated procedure to ensure greater applicability of the research results. Informal experimental design is of three types. These are respectively

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Before and After without control, Before and After with control and

After-only with control. As their names stand the first one is made of only one group of experimental units on which the treatment is to be applied. Observations are to be taken for each experimental unit before the application of the treatment and after the application of the treatment in respect of the characteristic of importance. Thus, each experimental unit will provide at the end of the experiment two observations. Let us denote by X_0 , the observation before the application of the treatment and by X_1 , the observation after the application of the treatment. Then, for that unit of study the treatment effect, T , can be expressed as $T = X_1 - X_0$ which is the net difference between the levels of the phenomenon under study before and after the treatment. Though we are having only one group of experimental units for this study yet for the sake of comparison with other designs we like to refer this group as test group because all the experimental units belonging to this group receive the treatment. The average T value will give the overall effect of the treatment. In case of Before and After with control type, of experimental design we consider two groups of experimental units. Units belonging to the first group, known as test group, or experimental group, receive the treatment under study. But units belonging to the second group, known as control group, do not receive the treatment. Let us denote by X_0 , the observation on the characteristic X , for an experimental unit taken before start of the treatment. For the same unit, let X_1 be the observation taken after the treatment. Then the difference $D = (X_1 - X_0)$ will measure the change in the characteristic. The average value of D , averaged over all experimental units, will give the average change in the level of the phenomenon. This change may take place due to two reasons. one due to treatment effect and the other due to change in time. To get a precise idea about the treatment effect we need to subtract from the average D value the second component, i.e. change due to time. For this, we also observe the experimental units of the control group before the start of the treatment for the test group. We also observe the experimental units of the control group after the end of the treatment for the test group. Control group units themselves do not receive the treatment. Let c_0 denote an individual observation for the control group before the start of the treatment for the test group. Let c_1 denote observation for the same unit after the treatment of the test group. Then the difference $DC = c_1 - c_0$ will denote the change in the level of the phenomenon due to change in

time. This difference will have no treatment component, as the units belonging to the control group do not receive any treatment. The average of such DC values will estimate the average change due to time. In that case, the average treatment effect (ATE) can be expressed as. $ATE = \text{average } D \text{ value} - \text{average } DC \text{ value}$, under the condition that experimental units are randomly assigned to the two groups. This design is more informative because of presence of the control group and can be viewed as an improvement over the experimental design Before and without control. For example, there may be healing over time for some diseases. In case we are having a control group and a test group and observe both the groups before the start of the experiment and say after one month after the end of the treatment on the test group, we may examine the conditions of the patients belonging to both the groups and draw precise conclusion about the effectiveness of the treatment and effect of time alone.

There is another situation where observations are not available at the beginning of the experiment but a test group and a control group are available. In this case, the average level of the phenomenon after the treatment (A) and the average level of the phenomenon without the treatment (W) can be noted down. If experimental units are randomly assigned to test group and control group, then it is reasonable to measure the treatment effect by the difference between A and W . Thus, Treatment effect = $A - W$. The following is a schematic presentation of the three informal experimental designs described so far or may be observed that in the schematic presentation we are having period as one dimension and there are two periods. The other dimension is treatment and there are two groups, viz., with treatment and without treatment. The measure under study is the level of a phenomenon. The objective of the study is to measure the treatment effect based on the available information. Observation Design Type of group Period I Period II Treatment effect Before-and After without Test $X_0 - X_1 - T = (X_1 - X_0)$ control group Before-and Test group $X_0 - X_1 - T = (X_1 - X_0) - \text{After with control}$ Control group $C_0 - C_1 - X - C_1 - X - \text{After-only}$ Test group $- A - T = (A - W)$ with control control group $- w$

It may be pointed out that Before and After with control is the best informal experimental design. However, depending on the situation or availability of the information we may opt for the other two informal designs. A fourth possibility, i.e., After only without control cannot be used for estimating treatment effect without any additional knowledge on the experimental units. Formal experimental designs are large in number and hence we will discuss only a few basic experimental designs. The rest will be available in any advanced book on design of experiments. Before we introduce those formal designs let us formally define the term treatment. The term treatment describes different condition or conditions under which experimental units are to be placed. Different promotional schemes may be viewed as different treatments. Different training programmes may also be considered as different treatments. In fact, wherever we can think of different courses of actions which can be applied on different individuals, units or groups with a common objective, we may consider those courses as different treatments. In its simplest form we may consider Completely Randomized Design (CRD) as the basic formal experimental design. It makes use

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of the two basic principles—replication and randomization. The principle of local control is not used in

For RBD if we consider r blocks then in each block there will be 4 experimental units. Four factor combinations A, B, C, D are to be randomly assigned to units. For CRD the factor combinations A, B, C and D are repeated r A, r B, r C and r D times respectively then there will be, in total $n = r A + r B + r C + r D$ experimental units. 3.4 Summary Research design provides with a conceptual framework within which the research activity is to be carried out. Major components of a research design are sampling design, observational design, statistical design and operational design.

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Sampling design deals with the method of selecting the items to be studied. Observational design describes the conditions 35 under which the selected units are to be observed. Statistical design

gives a plan for analysis, indicating the requirement of sample size and the suitability of analytical techniques. Operational design indicates the procedure for making the earlier three designs operational. To complete the research work in right time with right cost and in a right manner thoughtful development of a research design is a must. However, this development depends on the nature of research to be carried out. There are basically four types of research study. To become more familiar with a phenomenon one carries out exploratory or formulative research. To accurately portray a situation one takes the course of descriptive research. In diagnostic research one examines the frequency of occurrence of an event in conjunction with another event. In case one is interested to study the relationship among a set of variables the appropriate research will be hypothesis-testing. Research design for an exploratory or formulative research should preferably be flexible in nature to ensure greater insight and generation of new ideas. Survey of related references, experience survey and case analysis are the three useful methods for this research. For experience survey, purposive or judgment sampling will be more appropriate than probabilistic sampling. Choice of cases should also be done according to research objective. Mostly unstructured instruments are used for getting observations. In view of the flexible nature of the entire system neither the statistical design nor the operational design can be preplanned. Research designs for descriptive and diagnostic research activities are similar. Rigid designs are used to minimize bias and maximize reliability for this purpose, keeping in mind the cost and time restrictions. Sampling design is based on probabilistic sampling to provide with valid estimators for the population parameters. Structured instruments are of use for collection of data. Both the statistical design and operational design can be preplanned in these cases. Research design for hypothesis testing research encourages experimental design which may be both informal and formal types. The basic principles used, in formal experimental design are replication, randomization and local control. Replication along with randomization provide valid estimate of error and replication along with local control lead to diminution of error. Informal experimental designs are of three types, viz., Before and After without control, Before and After with control and After-only with control. Before and After with control design provides the most precise measure of treatment effect. In case of formal experimental design there is a plethora of designs out of which CRD, RBD and LSD are three very important and basic designs. For multilevel multifactor situation one may adopt factorial experiment and design the re-search work in both confounded and un-confounded manner.

36 3.5. Questions Long answer type questions. 1. What do you mean by a research design? Indicate the importance of the same. 2. "Flexibility is the key word for research design in exploratory research". Discuss. 3. Compare and contrast research designs for exploratory and descriptive researches. 4. Explain the three principles of an experimental design. 5. Which informal experimental design do you prefer? Give reasons for your preference. 6. Explain the construction of a formal experimental design based on the principles of randomization replication. Indicate its merits and demerits. 7. "RBD is the simplest formal experimental design that uses all the three principles of experimentation". Discuss RBD, indicate its layout and give your choice in response to the quoted sentence. 8. Can we consider LSD as a generalization of RBD? If yes, explain the concept of generalization. If no, give arguments in your favor. 9. Explain the concept of experience survey and its use in research design. 10. "No single research design is suitable for all types of research studies". Discuss. Short answer type questions : 1. What is case analysis? When do we use it? 2. Explain with an example roles of test group and control group. 3. Research design for descriptive research is rigid. Do you appreciate? Explain. 4. Explain randomization and replication and their joint effects. 5. Describe the following terms. Extraneous variable, confounded design, treatment. 6. In a Before and After without control experimental design how do you determine the treatment effect? 7. Give the schematic presentation of the three informal experimental designs. 8. Starting from the following standard LSD construct two new designs.

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A B C 9. Explain the formation of blocks in RBD. 10. Why is purposive or judgment sampling suitable in experience survey?

37 Objective type questions : Indicate whether the following statements are true or false. 1. Hypothesis-testing research portrays the characteristics of a population. True False 2. To become familiar with a phenomenon one should carry out diagnostic re- search. True False 3. Experience survey is the survey of experienced people True False 4. Purposive or judgment sampling is a probabilistic sampling. True False 5. Descriptive research design aims at minimum bias and maximum reliability True False 6. Replication and local control help in reducing error. True False 7. Treatment combinations are known as main effects. True False 8. Treatment effect can be measured through after-only without control informal design. True False 9. Test group is the collection of experimental units upon which treatment is to be applied. True False 10. In a 23 factorial experiment there are 6 factor combinations. True False 11. In LSD number of treatment equals number of replication. True False 12. RBD is useful for small initial experimentation. True False 13. In RBD if within block variation is maximum then the efficiency of the design is maximum, True False

38 Unit 4 ppppp Methods of data collection Structure 4.1 Data 4.2 Data Generation 4.3 Formats of Data Collection 4.4 Collection of Pimary Data 4.4.1 Introduction 4.4.2 Methods of Collection of Pimary Data 4.4.3 Observational method 4.4.4 Interview method 4.4.5 Questionnaire method 4.4.6 Other methods for collection of data 4.5 Selection criteria 4.6 Administration of surveys 4.7 Summary 4.8 Questions 4.1. Data The basic ingredient of empirical research is 'data'. The generic source of the word 'data' is Greek. 'data' is plural, the singular of which is 'Datum'. In normal usage the word data is often taken as singular- a collective singular term which indicates information captured in precise terms. Data could be qualitative as well as quantitative. However, in most cases, the information that comes under 'data' is in quantitative form. In empirical research, the quality of research depends very much on the quality of data. A researcher should, therefore, be careful while handling: the data, Even if the researcher has a good d6al of exposure to quantitative techniques and even if the researcher has proficiency in handling computer software packages, it may so happen that he fails to achieve a desirable quality in his research output because the data quality was not good. A researcher would get a better insight into the research issue if he is aware of this problem and considers the issue of collecting the data more carefully.

39 4.2. Data Generation For this one must know the origin of data. For a research, a researcher uses two kinds of data primary and secondary. Primary data are such data wich have. been generated by fue researcher himself. On the other hand, the secondary data are such data which are collected by the researcher from a source. The researcher himself has not generated these data. While adhering to this broad division the researcher should note that every data is basically, primary data because someone must have generated the data which appears as secondary to the particular researcher. While using the secondary data and also while generating the- primary data, a researcher would be benefited if he understands the mechanism by which the data set is generated. What we use as data is the outcome of the interaction between what is known as stimulus and the object on which the stimulus is imparted. The mechanism by which stimulus or stimuli generate data by working on the object, may be described in the form of the following flow chart : MECHANISM OF DATA GENERATION When a researcher visits a respondent and asks questions basically he is imparting 'stimuli' in the form of questions. The 'object' on which the stimuli are being imparted is the respondent in this case. The outcome is 'response' out of which the researcher gets information. The information is then processed to get qualitative or quantitative data. The nature and the quality of the data depend, to a large extent, on the nature of 40 Unsystematic S T I M U L I Systematic RESPONSE Systematic Unsystematic Formal Structured Formal Unstructured Setting Setting Impossible Setting Informal Setting stimuli applied to the respondent, which may by classified as systematic and unsystematic stimuli. Under systematic stimuli all units are exposed to the same standardised stimuli and stimuli follows a given pattern. Under unsystematic stimuli there exists respondent specific variation in the stimuli. What do we mean by systematic stimuli? In social research, we often collect data with respect to a set of respondents ('object' in the above flow chart). Under systematic stimuli, we communicate the issue to each respondent in a pre-determined set of questions. The wording with respect to each question is carefully drawn before meeting the respondents and ideally the same wording have to be followed with respect to each respondent. In systematic stimuli, the second necessary requirement is that the stimuli which are imparted follow a given pattern. This implies that the ordering of the questions should remain the same for each respondent. Under unsystematic stimuli, the patterpistic rigidity is not maintained. Again the questions may not be predetermined, neigh? it is necessary that the wording would remain the same for each respondent. Depending on the nature of stimuli, the researcher would expect two types of responses from the respondents. A respondent might behave systematically while meeting the query of the researcher. There is a possibility that the respondent would behave unsystematically while answering the questions even if the stimuli are imparted in a systematic manner. Logically speaking, there are four alternative possibilities of which three would describe the alternative formats of data collection. These alternative formats could be described as below : 4.3. Formats of Data Collection The first is the Formal structured setting. The data collection setting is called formal structured when systematic stimuli are coupled with systematic response. If the sys- tematic stimuli are coupled with unsystematic ·response the setting will be called formal unstructured setting. Unsystematic stimuli coupled with unsystematic response gives an informal setting. It is understood that unsystematic stimuli cannot be coupled with systematic response. The Alternative Formats of Data Collection

41 Formal Structured Setting is stated to be the most preferred setting because the stimulus and the response both being systematic, it is likely that the non-sampling error would be relatively less in the data collected according to this format. However, the researcher may often find that the nature of research is such that the data collected through a formal structured setting would contain less information than what one would have found if say the 'informal setting'. In such a situation the researcher may opt for the same. The other point is that, the formal structured setting may not be attainable for the researcher. It should be kept in mind that the formal structured setting is the outcome of systematic behaviour on the part of the respondents as well. It may so happen that in spite of the best of his effort, the selected group of respondents that the researcher faces behaves in unsystematic way while responding to the stimuli. In that case the setting for data collection would be formal unstructured in nature, even though the researcher wanted to have a formal structured setting. Forms of Communication and Data Collection Methods As we have discussed, there are three alternative settings under which the primary data can be generated. We did not, however, consider the form of response that the researcher gets while collecting the data in any of the three settings. There could be two basic called non-verbal and the other is verbal. Verbal mode. of communication is, again, subdivided in two forms, viz., oral verbal and written verbal. Non-verbal response is response through body language. A person. while seeing an advertisement may spontaneously jump in expression through body language. This is an example of non- verbal communication. The advertisement is the stimulus in this case and the expression through body language is the response. The point to be noted is that the communication here is indirect. Systematic RESPONSE Non-Verbal Oral-Verbal Written-Verbal Informal Participant Conversations, use. Articles, Letters, Setting Observation of informants Editorials, Biographies Formal Systematic Interview Questionnaire Unstructured Observation Unstructured open-ended Settings Formal Experimental Interview structured Questionnaire Structured Techniques structured Settings

42 Since there are three modes of communication and there are three different settings under which the stimuli-response interaction takes place, there are nine alternative forms in which the primary data can be generated. The possibilities are described in Table 3.3. While reading the table a researcher could note that every individual form of data generation has its root in the setting in which the data set is generated and the mode of communication used by the respondent. For example, if we say that the data set has been generated by administering structured questionnaire, the researcher would note that the primary data generated by this method is the outcome of a formal structured setting in which the stimuli had been systematic and the responses were also systematic. A structured questionnaire would also imply that the response was communicated in written verbal form. (An example of structured questionnaire is given in Appendix. Again, if the data set is generated by experimental technique the researcher will understand that the mode of communication was non-verbal in this case and the data collection setting had been formal structured, that is, systematic stimuli were coupled with systematic response for generating the data set.

4.4 Collection of Primary Data 4.4.1 Introduction Quite often we meet with the situation where available information is not sufficient to cater to the information need. It becomes a major hurdle on the path of research progress. To get rid of this hurdle researcher has to collect information and data that are appropriate for the specific study under consideration. Collected information can be directly utilized; collected data may have to be processed further to extract information. In this sense, information may be defined as processed data. Now, depending on the time, cost and resource constraints one has to draw a suitable plan or action for the collection of pertinent data not available with him/her so far. We may classify data under two subheads, viz., primary data and secondary data. Plan of action for collection of primary data will be different from that of secondary data. By primary data mean those data that are collected for the first time directly by the investigators of a... research project. There are two ways of collecting the primary data, -either through experimentation or through survey work. In case of secondary data, i.e., the data that have already been collected by someone else, a researcher has to adopt a directed research method. They may be available in a published form or in an unpublished form. [The main task here is to identify the reliable sources of secondary data. If these sources are not reliable, the reliability of the data will be questionable. Any bias on the part of the compiler gets mixed up with such secondary data. If the researcher is not aware of the methods of collection of such data and the extent of bias and accuracy then the researcher, without himself being biased,

43 will arrive at a biased conclusion or an inaccurate result. It is also important to examine the suitability of secondary data for the current research work. The objective of the earlier study that has generated the secondary data should be matched with the objective of the current study. In case they do not match the suitability of the secondary data becomes questionable. Even if the objectives match, tabulation pattern of the earlier work may not match with the current-requirement and hence the same has to be made suitable, if needed by undertaking re-tabulation of the secondary data. In case objectives and scopes match with current objectives and scopes one has to examine the adequacy of the secondary data in terms of the covered area, the period of study and the level of accuracy. Thus, to eliminate the risk of error the researcher must be satisfied with the reliability, suitability and adequacy of the secondary data. Saving of time and cost cannot be the sole criterion in taking the help of secondary data. We have already mentioned that both published and unpublished sources of data are to be scanned. Published data can be obtained from the statistical reports of the government of India, state government and local bodies. Central Statistical Organization is engaged in collection of data and their dissemination on a regular basis. Statistical information collected through well-structured survey work is available from the National Sample Survey Organization. Annual Survey of Industries provides with a rich database on the organized sector of industries of our country. There are various international bodies, foreign governments and global organizations to disseminate & information on the global economic activities and sociopolitical environment. Annual reports of companies, newsletters, booklets are also of use for gathering data for specific companies. Besides, there are journals, magazines, books and newspapers to provide with statistical information on a wide range of subjects. Technical reports of various associations, stock exchanges, banks and commercial institutions, published reports of universities and academic bodies and various other public records can be of immense help for a researcher provided the reliability, suitability and adequacy of data satisfy the data-need of the researcher. Unpublished sources are difficult to trace. But on many occasions they provide with the most valuable information. Unpublished theses may contain rich data, which are not available with published documents mainly because objectives of standard publications and reports are general in nature and objectives of research works are very specific in nature. Besides, diaries, letters, autobiographies are useful unpublished sources of information. Many diaries are giving information on consumption and distribution patterns of earlier days and may not only throw light on an individual's attitude towards life and society but also give an idea about the then socio-economic environment.

4.4.2 Methods of Collection of primary data

There are several methods for collection of primary data. But observational method, interview method and questionnaire method are the three most important methods of

44 data collection that are being frequently used. Let us describe these methods primarily keeping in mind the data needs of descriptive research, diagnostic research and exploratory research. In hypothesis testing research, also known as experimental research, observations are generated by the experiment and the objective of the experiment is to determine the possible relationships among the phenomena under study. In survey method one observes the phenomenon, which exist in the population and the existing relationships can be studied from the collected data. Thus, method-wise there may not be any difference when we talk about observational method for experimentation and the same for survey work. But methodology wise they differ.

4.4.3 Observational method

By observation, under the observational method; we mean scientific observation made under systematic planning and recording. To be more precise, we use the term scientific observation to differentiate it from the day-to-day observations that we all make in our daily lives. In scientific observation the instrument for making observation must measure what it aims to measure and must measure with consistency. In place of depending on the respondents' views, investigators directly observe the phenomenon. As a result, respondents' bias gets completely eliminated if observation is made with perfection. There is another advantage with this method. Since the investigator makes observations what we record is the current happenings and not what the respondents plan to do in future or did in the past. It has minimum problem of nonresponse that may arise in other methods due to unwillingness on the part of the respondents. To be systematic in taking observations, an investigator must preplan about what is to be observed, how to observe and where and when to observe. Especially for descriptive research structured observation is preferred to have uniformity in the condition of observation and in the definition of experimental units. However, unstructured observation may have to be taken into consideration when preplanning is difficult. This happens in the case of exploratory or formulative research where ideas remain vague initially and become clear gradually as the research work progresses. Sometimes observations are made by the investigator by directly participating as a member of the group to be observed. The objective of this participant observation is to have the same experience as the members of the group experience. In that case natural behavior of the group members can be closely observed and recorded. Investigator may collect rare information which otherwise cannot be obtained. Only thing that the observer should keep in mind is the importance of objectivity in the recording system. In that case emotional participation will not be able to disturb the rational objective of participation. The other alternative to participant observation is non-participant observation, i.e., where the presence of the investigator cannot be felt or may remain unknown to the group

45 members, he/she is observing. Observational method, in spite of its wide applicability, has a few limitations. It is an expansive method as observations are to be made by skilled persons from the actual field of study. Sometimes, even with repeated visits a unit or a person may not be reachable and this may lead to incompleteness in the collected data because those who are not reachable may possess a common characteristic. There may be situations where subjective interpretation is needed to make an observation. In that case the subjective bias get, mixed up with the collected data. This problem arises when uncontrolled observations are made in a natural setting. 4.4.4 Interview method By interview one means verbal responses against verbal stimuli. The responding individual is called interviewee and the stimulator is known as interviewer. In case of a face to face response we refer it as personal interview, In case of telephonic interview or video interview we call it distant interview. The method of collection of information through interview may be either carried out directly by asking the person of interest or carried out indirectly by asking questions and receiving responses from other persons who can give information on the person of interest. Mostly a structured set of questions is prepared and asked and responses, recorded by using some standardized techniques. In a perfectly structured interview even the sequence of asking questions remains fixed. As a result, such an interview requires a comparatively lesser skill on the part of the interviewer increasing the feasibility of this method to a great extent. However, more in-depth information can be collected through unstructured interview. It provides flexibility in questions to be asked and their order. Interviewer enjoys the freedom of asking additional questions if the situation so demands or may drop a few questions if he/she does not feel their relevance in a particular situation. For unstructured interview time needed is more, comparability is less and requirement of skill on the part of the interviewer is more. Even then, unstructured interview is mostly favored for. exploratory or formulative research. It gives the scope for identifying new dimensions of the problem to be studied and is extremely useful when the researcher is not very clear about the types of responses. Unstructured interview may be focused, clinical or non-directive. In an unstructured focused interview the task of the interviewer is to concentrate on a particular issue and see that the discussion does not go out of track. Interviewer has the freedom to ask additional questions of his/her choice without becoming defocused. In an unstructured clinical interview one is mainly interested in individual's experience on the subject of interest. To achieve this aim, interviewer is left free to frame on-the-spot questions and get response therefrom. In an unstructured nondirective interview there is hardly any

46 direct question to be asked. Interviewer is to motivate the respondent to opine on the suggested topic and should give maximum freedom to the respondent. Interview method of data collection works well if the investigator is friendly, intelligent, conversational and- rational. A friendly and conversational interviewer can over come resistance, if any, obtain personal information with ease and can note down the spontaneous reactions which otherwise may go unrecorded. Intelligent and rational presentation of questions can help in getting additional in-depth information. Depending on the academic attainment of the interviewee the interviewer may adjust the wordings of the questions and can get a warm response. There are a few limitations of the interview method. Except for distant interview, the cost of data collection is generally very high. It is also a very time consuming affair. Sometimes very presence of the interviewer may over stimulate the interviewee who in turn, may give imaginary information and disturb the whole process. One special problem, we have already mentioned, is the problem of contacting some respondents. Doctors, businessmen, government officials are mostly busy with their personal or official work and may not be reachable at all. 4.4.5 Questionnaire method Collection of information through questionnaire (or schedule) is a very popular method. Generally, a questionnaire is prepared and sent to the concerned responding units or individuals with a request to fill up the questionnaire and return to the sender within a stipulated time. A Questionnaire is having at least two blocks of questions. The first block is the identification wherein the respondent gives information on his/ her personal identification as per the questions. Name, address, sex, age etc. are most commonly used questions for this block. This block is meant for verification of information if the responses fail to meet consistency check. It is also needed for sample checking. A part of the information provided under this block is kept confidential. Other parts may be used for cross tabulation purpose. Age and Sex are the two items that may be of interest from both tabulation and analysis points of view. The other block is the information or response block where supplied information throw light on the research subject and if needed may be quoted as individual information. Response block must be carefully framed. Questions must be clear, to the point, and logically arranged. No special knowledge on the part of the respondent can be assumed. All the terms should be well defined and self-explanatory. Individual questions may be closed or open type. In case of a closed type question the respondent will be provided with a list of alternative answers and the respondent has to pick up one of those answers. For this, answers provided in the questionnaire must be both exclusive and exhaustive type. Otherwise there will be confusion

47 in the minds of the respondents. Open type questions are those where exhaustive list of answers are not available or cannot be included to save space. Along with a few specific answers, one common type answer is added to include all possible answers. Respondents are requested to specify their answer if they happen to favor the common type answer. Ordering of the questions should be such that the sequence of questions can be viewed as a funnel. They should, gradually, become pinpointed to extract the specific answer starting from a general setup and general/broad answers. Structured questionnaires are those questionnaires where majority of the questions are of closed type and questions are arranged in a fixed sequence. If majority of the questions are of open type we may call it an unstructured questionnaire. Structured questionnaires are easy to mail and to get response without the help of an investigator. The analytical treatment can also be preplanned and easy to employ. The cost of collection of data is minimum. But the non-response may also be high. In fact, if questions are simple, easily understood, do not put any unnecessary strain on the on memory or intellect of the respondent and do not enquire about personal matters like wealth, character etc. Then the chance of response will be high. Otherwise non-response will be on the higher side. To ensure active cooperation from the side of the respondent researcher may enclose with the questionnaire a brief write up explaining how to fill up the questionnaire. It is also desirable that before the start of the questionnaire the objective of the research be printed, indicating the scope of the research. It may be mentioned in this context, that methods for collection of data through questionnaire and through schedules are similar in nature. Schedule is a proforma containing a set of questions like a questionnaire. While questionnaire method is mostly a mail method, schedule method is a direct enumeration method. Enumerators meet the respondents and fill up the schedules based on the responses received. Enumerators explain the questions to the respondents and are trained to handle questions from the side of the respondents, if any. Quality and skill of the enumerators are very-important in schedule method so that non-response can be reduced to a great extent. In fact questionnaire method is very cheap but non-response is very high. On the contrary, schedule method is very expensive but non-response is very low. While questionnaire method is slow as the researcher should give sufficient time to the respondents for personally filling up the questionnaire and mail it to the sender, the schedule method is very fast as the enumerator notes down answers on one sitting. It is also clear that questionnaire method can be used for educated respondents. There is no such restriction for schedule method because respondents do neither read nor fill up the questionnaire. Incomplete response is also very high in questionnaire method. Incompleteness is rare in case of schedule method. Under questionnaire method one can cover a very wide area. This wide coverage is nearly ruled out in schedule

48 method. Thus, there are many advantages and disadvantages of both these methods. Depending on the nature of the research problem, availability of fund and time, level of accuracy required and the requirement of application tools one may select either a questionnaire method or a schedule method.

4.4.6 Other methods for collection of data

There are a few other methods for collection of data. They may not have a universal appeal. Nevertheless, they are interesting and sometimes they are more appropriate and feasible. Consumer panels, warranty cards, store audits, pantry audits, mechanical devices and projective techniques are of use for collection data for business research mainly. Let us, briefly, explain these methods along with their scopes. Consumer panels are sets of consumers who agree to maintain detailed information of their daily consumptions and share those information with the investigators. These panels are of two types, viz., transitory consumer panel and continuing consumer panel. A transitory consumer panel is formed to collect information for a period of transition and is helpful for before and after with out control type of experimental designs, and also for repetitive surveys spreading over a fixed period of time. Initial information is collected from the members of the panel before a phenomenon takes place and final information is collected from the same panel members after the phenomenon has happened. In a continuing consumer panel the period of study is indefinite and the information is collected from the panel members on-a periodic basis. One may use direct interview or mail method for collection of data. Transitory consumer panels are useful for examining the effects of advertising, changes in policy decisions, effects of product modification where one-time act is involved. A continuing consumer panel is used for examining the consumer behavior over a long period of time, their brand selection, brand loyalty and brand switching behavior. It is also being used to gauge public opinion, radio or TV listener-ship, channel popularity and so on. For a transitory consumer panel drop out problems may not be very significant. For a continuing consumer panel investigator has to take due measure for retaining the consumer panel in tact and device a mechanism for replacing the unwilling members by similar but willing consumers. Warranty cards are those cards that are provided with consumer durables. Consumers are asked to fill up those cards and either post them or hand over them to dealers for getting the warranty facility. In this process marketers of the consumer durables generate consumer database for future action, if any. Researches may directly obtain this database from the marketer and get a nearly ready sampling frame. Store audits, conducted by the marketers through their salespersons, can throw light on purchasing pattern and can be used for estimating the market size and market shares. Store audits are conducted periodically and are comparable with consumer panel data.

49 In the later case consumers report their consumption pattern. But in the former case, retail stores provide the information on purchase pattern. Store audit data are authentic and available on a regular basis without any problem of nonresponse. Pantry audits, conducted by the investigators, can provide with consumption figures at the consumer level for the complete basket of goods. It may be supplemented by direct interview to note down the reasons and plans of the consumers. At the end, investigator gets an idea about which types of consumers prefer which types of brands, what features of the brands make the consumers happy or unhappy, what are the average levels of consumptions, what are the future plans etc. Mechanical devices have made inroad into the field in the recent past for collection of data by indirect method. For example, eye camera can record the focus of the eyes of the consumer or the respondent, as the case may be. If one knows the focal point of interest of an advertisement future designing may be easier and more effective. Audiometers can be of use to know the types of TV programmes preferred by the viewers. One may use psycho-galvanometer to measure the excitement from visual stimuli. Projective techniques, also known as indirect interviewing techniques, can also be of help for collection of data on motives, urges or intentions, which are usually difficult to record through direct interviews. In case of a direct interview, respondent may try to hide the facts or may be unable to respond. In the indirect interviewing technique the individual's responses to the stimuli are interpreted through psychological conceptualization made before in the literature. Important projective techniques are word association test (to note down the first word that comes in the mind of the respondent when the investigator reads out a word), Sentence completion test (to ask the respondent to complete an incomplete sentence by using his/her own thought on that subject), Story completion test (to ask the respondent to complete an incomplete story), Verbal projection test (to know from the respondent why other persons behave in particular way), play technique (to observe how respondents act in a given role assigned by the investigators) and pictorial techniques (to ask the respondents to describe pictures shown to them in an ambiguous way).

4.5 Selection criteria

Given a plethora of methods for collection of data, a researcher has to make a final selection of a method for his/her research activity. This may be a difficult task because consequences of this decision have far-reaching effects on the outcomes of the research study. It is therefore, necessary to look into several issues before arriving at a decision on the method for collection of data. The first thing to be matched is the objective of the research study with the objective of the method for data collection. We have classified research objective under four genera)

50 heads, viz., exploratory or formulative research, descriptive research, diagnostic research and hypothesis-testing research. We have already indicated that if the objective of the research is hypothesis-testing the concerned design must be an experimental one. Observational method may be a preferred choice for this case. However, one cannot completely rule out the possibility of undertaking other methods. Thus, objective alone may not be sufficient to help us arriving at a conclusion. Problem of choice becomes more acute when one decides to go for survey method. There are different sub-methods of survey method each having its own advantages and limitations. It is therefore necessary to search for other criteria as well. Precision requirement is the other important issue where the researcher should give attention. When precision requirement is high direct observation or direct interview will be favored over questionnaire method. The aimed at coverage is also an important consideration in this context. If wide coverage is needed in short time, questionnaire method may be favored over direct interview, observational method, and schedule method of enumeration. Problem arises when the precision requirement is high and coverage requirement is also high. In such a case researcher has to strike a balance between precision and coverage and the method of data collection may also depend on the time at disposal of the researcher. High precision and wide coverage demand for more time and more fund. The researcher should take into consideration the fund available for this purpose. If one can employ more fund one may be able to reduce the time requirement by employing more investigators and more mechanized system of data collection. Fund, in fact, is a major consideration that limits the choice set of methods for collection of data.

4.6 Administration of surveys

Survey method being a major method for collection of data let us indicate the basic steps to be followed for administering a survey work. Since we need to refer to a research activity for presentation of survey administration, it will be sufficient if planning stage, execution stage and analysis and reporting stages are covered in our discussion. The stage of evaluation need not be touched upon. The planning stage consists of the following sub-stages :

1. Defining the purpose of the survey. The purpose of the survey must be clearly spelt out so that investigator can be clear about it and can make use of it whenever some problem is faced at a later period.
2. Taking note of the available resources. The investigator must take note of the resources available under his/her disposal. The entire planning, execution and analysis cum-reporting exercise depends heavily

51 on the availability of the resources. Most important resources are fund, manpower and time. Fund indicates the financial limit within which the survey is to be completed. Time indicates the permissible period within which the survey work is to be finished. Manpower indicates the level of skill available and number of hands available for carrying out the entire work as per planning. 3. Defining the aimed at level of accuracy. The level of accuracy desired by the researcher will be the other guiding force in planning the survey work. This level of accuracy should be so targeted that the purpose of the survey can be met within the available resources. 4. Defining the population. . The population, also know as the universe, must be categorically defined. The results of the survey will be applicable to this entire population and hence the geographic, demographic and other boundaries of the population must be stated without any scope for confusion. 5. Determination of the data to be collected. The purpose of the survey and the objective of the research will all indicate the data requirement. Accordingly, the researcher should specify the characteristics to be observed or measured, opinions to be collected and attitudes to be noted during the survey work. The questionnaire or the schedule of enquiry can be framed keeping in mind the above decisions. It is desirable that a draft questionnaire be prepared and tested over a small group of individuals. This helps in identifying the gaps and flaws in wording, sequencing and coverage of the draft questions. Based on the ideas so gathered the questionnaire is to be revised and finalized for future administration. 6. Selecting the method for data collection. The selection of the method for data collection is very important, as the method is a direct determinant of the level of accuracy, cost of survey and extent of nonresponse. The first choice is between interview method and mail method. Cases where observations are to be made, the method of measurement must be indicated. For example, agricultural production may be measured either exactly or approximately through eye estimation. The types of instruments needed for making measurements should be indicated. 7. Defining the sampling unit. The ultimate unit of the population, which is to be studied for the purpose of the survey, is known as sampling unit. For example, whether a family or a member of the family is to be studied must be clearly spelt out. The complete list of the sampling units, known as sampling frame, must be prepared to help the sampling scheme. There are situations where a complete frame is not available. In those situations

52 researcher has to define a hierarchy of sampling units to reduce the task of listing sampling units. 8. Designing the survey. Survey design is the most crucial stage of planning. A researcher must decide, during this stage the probabilistic sampling procedure to be adopted, restrictions to be imposed, if any, like with replacement or without replacement and optimum level of flexible variable, if any. It may also be finalized whether a pilot survey is to conducted before the actual execution of the main survey. 9. Preparing the list of sampled units. Using the random number table or other devices the researcher must select the sampling units and frame a list of those sampled units. Indications should be given about how to identify those units during the fieldwork. 10. Training of field investigators. The investigators should be properly trained for the survey work to be under taken by them. This involves exposure to purpose of the survey, identification of the sampled units, definitions of the technical terms used in the questionnaire etc. The next stage is the execution stage which involves identification of sampled units in the field, filling up of the questionnaire and remedial measures to be taken in case of contingencies. The analysis and reporting stage includes the following stages. 1. Scrutiny of data. The collected information through filled up questionnaire should be checked for consistency and completeness. In case of incomplete questionnaire or inconsistent information the questionnaire under consideration should be sent back to the field for fresh collection of information. Scrutiny of data also involves cleaning and dressing of data. 2. Tabulation of data. The qualitative variables must be provided with code numbers and the quantitative data field must be standardized and the entire information may be summarized either through hand tabulation or through machine tabulation. 3. Statistical analysis. The primary tables generated during tabulation of data are to be put to statistical analysis. This means estimation of population measures, determination of the extent of error and carrying out of statistical inference for testing the working hypothesis. Derived tables can also be prepared from the primary tables to present pinpointed

53 information on the population characteristics. 4. Writing of report. The final report should contain detailed description of all the stages of work and should present all the statistical and other information. Proper interpretation of the statistical inference must be added and final conclusions and recommendations are to be included. 5. Storing of information for future use. After the completion of the report writing, adequate care should be taken to store the raw data along with the primary and derived tables. These information should be so stored as to make use of in the future survey works/research studies. 4.7 Summary The data set is generated by the interaction between 'stimuli' and 'object'. The results of the instruction are captured in the form of data. Information is processed data. Quite often the researcher has to collect data for converting them to useful information.

Depending on the time, cost and resource constraints one has to plan for collection of pertinent data. Data are of two types, viz., primary data and secondary data. Primary data are those data which are collected by the researcher for the first time either through experimentation or through survey work. Secondary data are those data which have already been collected by others. The researcher has to adopt a directed search method to avail the secondary data. While collecting the secondary data? - 'researcher must be satisfied with reliability, suitability and adequacy of the secondary data. There are both published and unpublished sources of secondary data. Statistical reports of the central and state governments and of the local bodies are the major sources of published data. To collect primary data one may take course of the observational method, interview method, questionnaire/ schedule method and a few other methods. Under the observational method a researcher directly observes the phenomenon of importance and thereby eliminates the respondents' bias. For descriptive research, one may like to opt for structured observation. For exploratory or formulative research unstructured observation is suitable. Further, the investigator may have the experience of a group while observing the same. This is known as participant observation. Where the presence of the investigator cannot be felt the method of observation is known as nonparticipant observation. Unfortunately, the observational method is very expensive. Sometimes, subjective bias may get mixed up during observation. Sometimes a unit or a person may not be reachable even after repeated attempts. Interview method records the verbal responses against verbal stimuli. The method of data collection may be either based on face-to-face response or based on distant interview.

54 Collection of data may be viewed as direct if the respondent is contacted to give responses personally. In other cases, we go by indirect responses. For the ease of tabulation and subsequent analysis, one may consider structured interview based on a preplanned set of questions of fixed sequence. For in-depth information, one may, however, prefer unstructured interview to give more freedom to the investigator for asking the questions. Interview method is very effective if the investigator is friendly, intelligent; conversational and rational. Cost of data collection under interview method is usually on the higher side. It is a time consuming method too. Questionnaire/Schedule method goes by either the mailing of the questionnaire to the respondents or visiting the respondents with the schedule of enquiry. Questionnaire or schedule must be made of at least two blocks, viz., identification block and information or response block. As suggested in case of interview, questionnaire may be either structured or unstructured types. Coverage of area is very high and also the nonresponse in case of questionnaire method. In case of schedule method nonresponse is nearly absent. Cost of undertaking schedule method is very high while cost of undertaking questionnaire method is very low. Other methods of data collection include consumer panels, warranty cards, store audits, pantry audits, mechanical devices and projective techniques. Selection of the suitable method for collection of data depends on the objective of the research, precision requirement and availability of resources like fund, manpower and time. In case the researcher opts for a survey work for collection of data he/she must meticulously plan for survey administration, must carefully execute the plan during fieldwork and decide about the analysis of data for final presentation of the report. 4.8 Questions Long answer type questions : 1. Enlist different methods for collection of data. Which one is the most suitable method, according to you, if the researcher is interested to examine the awareness of a brand in the product field of dental cream? 2. Describe different sources for collection of secondary data. 3. For a descriptive research covering a wide area, which method do you propose to adopt for collection of primary data? 4. If Interview method and observational method are very expensive why do the researchers sometimes opt for these methods for collection of primary data? 5. Explain the differences between questionnaire method and schedule method. Which of these two methods do you prefer for in-depth analysis of commodity baskets of consumers' in a small town?

55 6. Explain with an example the use of consumer panels in collecting data on consumption pattern. 7. Indicate the basic considerations based on which a researcher- should select the method for data collection. 8. Describe, in brief, the basic steps to be followed in the administration of a survey. Short answer type questions : 1. Explain the terms /primary data and secondary data. 2. When do you prefer structured observation and when do you prefer unstructured observation? 3. Describe the limitations of observational method. 4. What is interview? When do you prefer interview method? 5. Compare structured interview with structured observation. 6. When do you recommend unstructured interview? 7. Explain the terms closed end question, open-end question. Give examples. 8. 'Transitory consumer panels are used to collect information for a period of transition.' Explain. 9. Explain the use of store audits as a method for collection of data. 10. Write a note on projective technique. 11. Enlist the sub-stages of planning stage for administration of surveys. 12. Describe the analysis and reporting stage for survey method. Objective type questions : Indicate whether the following statements are true or false. 1. Secondary data are data, which are collected for the second time by the researcher. True False 2. Savings of time and cost are the sole criteria for taking the course. of secondary data. True False 3. For descriptive research structured observation is preferred. True False 4. In participant observation respondents participate in a meeting. True False 5. Non-participant observations are made when respondents refuse to participate. True False

56 6. Personal interview refers- to interview on personal matters. True False 7. In a structured interview questions and their sequences remain fixed. True False 8. Unstructured interview may be focused, clinical or nondirective. True False 9. Presence of the interviewer is to over stimulate the interviewee. True False 10. Information or response block provides us with the- identification of the respondent.' True False 11. When question become gradually pinpointed we term the sequence as a funnel. True False 12. In a continuing consumer panel, panel members provide information before and after the occurrence of a phenomenon. True False 13. Warranty cards can be used to generate consumer database True False 14. Audiometer is used under interview method. True False 15. Projective technique is based. on projection of eye camera. True False 16. Sentence completion test is a very popular tool of questionnaire method. True False 17. Population is also known as universe. True False 18. Sampling frame is the frame where sampled units are kept. True False 19. Scrutiny of data involves cleaning and dressing of data True False 20. Derived tables are prepared from the primary tables. True False

57 Unit 5 ppppp Techniques of Measurement and Scaling Structure 5.1 Introduction 5.2 Measurement Scales 5.3 Development of measurement tools 5.4 Scaling Techniques 5.5 Construction of scales 5.6 Multidimensional scaling 5.5 Summary 5.6 Questions 5.1 Introduction Measurement is a process of mapping. It maps different aspects of the members of a domain on to some other aspects of a range set where range is. mostly the real line or a segment of the real line. The process of mapping works on the principle of correspondence. For example, environmental opportunity and environmental threat, denoted by 'O' and 'T', are the members of the domain set. We may assign a score +50 to 'O' and -50 to 'T'. This rule of assignment of score may be viewed as a rule of correspondence. The range set contains -50 and 50 as the two scores. A neutral situation may correspond to score zero. If there is one to one correspondence, as in the above case, then the score +50 will imply opportunity. in the domain set, the score -50 will imply threat in the domain set and the score 0 will imply neutral state in the domain set. Development of a measuring instrument is a complex and difficult task, especially when we need to measure the attitude of say, customers. For example, it is easy to measure

58 some properties like height and weight but it is not that easy to measure the traits like risk-oriented, risk-averse or risk-planner. It is also absolutely necessary to know the measurement scales to decide upon the appropriate statistical analysis. All types of scales do not permit the use of all types of statistical analysis. 5.2. Measurement Scales Measurement scales can be grouped under four broad heads: nominal scale, ordinal scale, interval scale and ratio scale. Under nominal scale we transform categorical data, i.e. qualitative or descriptive data into numerical data through assignment of numerical codes for various, categories. Consider the case of job categories: Government service, non-governmental service, business, self-employed, professional and others. These descriptions of the job-status, which an enumerator may observe during a survey work, are not as such quantifiable. However, we may assign codes 1, 2, 3, 4 and 5 respectively to these five categories. These codes are numerical codes as these are expressed in terms of numerical digits. But no numerical operation can be carried out with these codes. The difference between non-governmental service code and government service code is same as the difference between self-employed pro-fessional code and business code. But status-wise or otherwise these differences are not same. Basically values on the nominal scale are numerical in names. Since these numerical codes of the nominal scale are playing the roles of labels only, we cannot add or subtract these numerical codes. We can count the frequency of occurrence of a particular code, i.e., the number of objects that fall into a particular codecategory. Some statistical analyses are allowed to be undertaken. One such analysis is the chisquare test for association of attributes. Under ordinal scale one transforms the performance data into numerical data by expressing the order of preference. For example, consider the subject of brand aware- ness. Let there be three brands, viz., Lux, Dove and Cinthol and the objective of a survey is to examine the extent of brand awareness. According to the order of preference we may assign ranks to these brands. Suppose rank is 1 for maximum awareness, rank is 2 for next best awareness and rank is 3 for minimum awareness. Then, if Lux is of rank 1, Dove is of rank 2 and Cinthol is of rank 3, we may say that the brand awareness values. of these brands on the ordinal scale are 1, 2 and 3 respectively. It is easy to note that objects measured on an ordinal scale can be ordered. But we cannot claim that Dove is as far below Lux in brand awareness as Cinthol is below Dove. This is because rank 2 minus rank 1 is not necessarily equal to rank 3 minus rank 2. Thus, numerical operations such as addition, subtraction, multiplication and division cannot be applied on numerical values generated by an ordinal scale. In case of measurements from an ordinal scale,

59 one may calculate medians, percentages and rank correlation coefficients for describing the population in terms of statistical measures. Nonparametric tests which are constructed through ranks, can be used without problem. Under interval scale, we have a constant unit of measurement. But this unit of measurement is arbitrary. Interval scale corresponds to what one can think of as a measurement. Only the zero point and the unit of measurement are arbitrarily fixed. The most common examples of interval scale are Fahrenheit scale and centigrade scale. We measure temperature on both these scales. These scales have different zero points and also different units of measurement. What is 0° centigrade on the centigrade scale is 32 Fahrenheit on the Fahrenheit scale. Further, 100 units on the centigrade scale is equivalent to 180 units on the Fahrenheit scale. So if for the same temperature of an object measurement on the centigrade scale is C and that on the Fahrenheit scale is F then $C = \frac{5}{9}(F - 32)$ or, $100 = \frac{5}{9}(180 - 32)$ - - - = = Almost all the commonly used statistical measures and operations can be employed on data measured through an interval scale. Arithmetic mean; standard deviation and correlation co-efficients can be calculated without any problem. Techniques such as regression analysis, factor analysis can also be applied on interval data. Ratio scale is an improvement over interval scale in the sense that it possesses a unique zero point. The unit of measurement is constant but need not be fixed. When measure the height of individuals either in feet or in meters we employ ratio scale. For both feet and meter scales absolute zero point is same. However, units of measurement are constants but different. One inch is equal to 2.54 centimeter. For ratio scale, if an object is twice longer than another object then the ratio of the corresponding measures on any ratio scale will be 2 : 1. Ratio scales of measurement are very common in physical science and are rarely used in behavioral science. All the statistical measures can be calculated on a ratio scale and all the statistical tests can be applied on data obtained from a ratio scale.

5.3. Development of measurement tools Quite often in social science researcher has to develop own measurement tools to measure attitudes and behaviors of individuals, as there is no standard measurement tool. The development of a measurement tool has to pass through four stages. First stage is, the concept development. The second stage involves specification of the dimensions of the concept the third stage calls for selection of indicators for different dimensions and the fourth stage deals with formation of an overall index as a measurement tool. Let us describe these four stages in their above-mentioned sequence. Concept development means deciding about the major concepts that are directly related with the study and making a clear understanding about those concepts. For example, if we are interested to examine the efficiency of an organization or a product field we have to develop the idea about efficiency. Major concepts related to efficiency may be profit, average cost of production, competitive position and extent of innovation. There may be other concepts also. However, if we would like to restrict our study to these four measures of efficiency then these four will be the underlying concepts. We need to develop clear understanding about these four concepts. For example, for examining profit we may consider economists' definition of profit, minimum profit concept, profit after tax concept or actual profit concept. We need to be clear about which profit concept we would like to pursue. Once the concepts are clearly understood the researcher has to identify the dimensions of the concept and specify them in clear-cut terms. Sometimes intuition plays an important role in deciding about the different dimensions of the concept. Sometimes, one may work back through logical deduction and arrive at the important dimensions. For example, if the concept under consideration is brand identity, we may work back to deduce the major dimensions of brand identity as physique, personality, culture, relationship, reflection and self-image. After the specification of the different dimensions of the concept, a researcher must develop measuring indicators for each dimension. These indicators may be scales of measurement, sets of questions or the devices as may be developed by the researcher. For example, if we consider competitive position as a concept and one of its dimensions of measurement as market share then the measuring instrument will be sales in volume and values for the company under consideration and for the total industry. The end step aims at combining the individual indicators into a workable whole. This combination of indicators is also known as an index number. Index number, being an overall measure, can help the researchers in arriving at the final conclusion. For example, if we know the relative importance of different concepts one may consider an weighted average of the indicators of the concept values and obtain the overall measure of importance.

5.4. Scaling Techniques Scaling techniques are many in number and need to be judiciously selected. Results of the research and the level of accuracy highly depend on the scaling technique adopted for measurement. For problems like measurement of attitudes and opinions the availability of a valid measurement is virtually under cloud. It is the duty of the researcher to find out a valid measurement. Validity and reliability of the measuring instruments are to be ascertained first before these are put to use. The actual use is to assign numbers to

61 different states of attitudes or opinions of individuals. An individual may be directly placed on a scale or indirectly placed on a scale based on the responses given against a set of questions. Let us describe a few important scaling techniques which are broadly classified under two general heads, viz., rating scaling and ranking scaling. Graphic rating scale is an important rating scale where various judgmental points are placed along a line to form a complete continuum. For example, a judgemental point may be of the type "average performance" when we seek the opinion or a group of customers on the brand achievement of a specific brand. Five judgmental points as very good performance, good performance, average performance, bad performance; and very bad performance' may represent the full continuum There is no restriction on the number of judgmental points to be used for measurement. It may start from two points and end up to any number of points. "Good" and "bad" or "right" and "wrong" are the examples of two point graphic rating scale. During the application of this scale the evaluator puts a tick mark against the right judgemental point, as demonstrated below. One may use a box in place of a line in a similar way. Itemized rating scale provides with a sequence of statements, the sequence being an indicator of progressive or regressive adherence to a property. The respondent has to select one of the statements that is closest with the respondent's personal view. For example, consider the case of a brand 'A' and the enquiry about its leadership in the market. Consider the following sequence of statements, the first statement confirming the leadership of brand 'A' in the market and the last one disowning the same. Inbetween statements are regressive in nature :

- u Brand 'A' is always the market leader.
- u Brand 'A' is often the market leader.
- u Brand 'A' is sometimes the market leader.
- u Brand 'A' is infrequently the market leader.
- u Brand 'A' has never been the market leader.

If the respondent's evaluation is closest with statement number four then he/she will circle the fourth option. In this itemized rating scale the listed statements may not describe the actual view of the respondent. But the tabulation work and the subsequent analysis become easier. It respondents are allowed to write their views the tabulation work may become extremely difficult. Very good Performance Good performance Average performance Bad performance Very bad performance © L

62 These rating scales are easy to use, require less time and enjoy wide applicability. For itemized rating scale, development of the statements is a difficult task as one has to foresee the possible alternative views which are exhaustive but not many in number. There are some problems associated with rating scale. The respondents are sometimes unwilling to make extreme comments/ratings. This attitude results in high heaping near the central point. This type of error is, therefore, described as the error of central tendency. Another type of error known as the 'error of halo effect' arises when the respondents are asked to rate different items without having clear idea about them. In those cases rational judgment takes the back seat and the very purpose of rating scale gets defeated. Ranking scale is an alternative to rating scale. It works based on the principle of comparison among the similar objects and the respondent is asked to make his/her choice. There are two types of ranking scales one based on the method of pair-wise comparison and the other based on rank. Pair-wise comparison method records the views of the respondent regarding the preferred choice between two objects. In case there are n such objects then the respondent has to examine all the $n C 2 (= n(n-1)/2)$ combinations of objects and make $n C 2$ preferred choices. Thus, ordinal data are generated which can be used to develop scores on an interval scale. Thurstone has proposed the law of comparative judgment and using that law such a transformation from ordinal data to interval data can be undertaken. Let f_{ij} = the number of respondents preferring the i th object over the j th object, $i = 1, 2, \dots, n, j=1, 2, \dots, n (i \neq j)$ $f_{ii} = 0, i=1, 2, \dots, n$, Then $C_i = \sum_{j=1, 2, \dots, n} f_{ij}$, = the total number of choices for a given object $j, j=2, 2, \dots, n$. We can calculate, M_j , the j -th mean proportion as $M_j = [C_j + N/2]/(nN)$, $j=1, 2, \dots, n$, where N is the number of respondents. Let τ = standard normal value corresponding to the mean proportion, $M_j, j = 1, 2, \dots, n$, Then $\{ \tau_j \}$ is the value of j th object on an interval scale measuring the characteristic based on which the comparisons have been made.

63 Let us consider an example for a clear understanding. Consider three brands X, Y and Z of a product field. 80 respondents are asked to compare them pair-wise. There are three possible pairs (X,Y), (X, Z) and (Y, Z). Following table summarizes the responses of the respondents. This table indicates 50 out of 80 respondents preferred Y to X, 70 out of 80 respondents preferred Z to X and 45 out of 80 respondents preferred Z to Y. Then the number of choices for brand X over other brands is given by $(30+10)=40$ as given under column totals. Similarly, number of choices for brand Y over other brands is $(50+35)=85$ and number of choices for brand Z over other brand is $(70+45)=115$. Thus, 40, 85 and 115 are the C_i values for brands j as X, Y, Z respectively. Corresponding mean proportions are calculated as follows : For brand X, $x = C_x / N = 40 / 80 = 0.5$ For brand Y, $y = C_y / N = 85 / 80 = 1.0625$ For brand Z, $z = C_z / N = 115 / 80 = 1.4375$

64 For brand Z, $z = \frac{C}{N} = \frac{80}{240} = 0.333$. Then the corresponding j τ values can be obtained from the standard normal table. For brand X, the mean proportion is less than 0.5. Hence the j τ value is negative and the tabulated value comes out as -0.432. Thus, $x \tau = -0.432$. Similarly j τ value for brands Y and Z are respectively $y \tau = 0.053$, $z \tau = 0.375$. Since the $\text{Min } j \tau = -0.432$ we have the final values of brands X, Y and Z as $\{-0.432 - (-0.432)\} = 0$, $\{0.053 - (-0.432)\} = 0.485$, and $\{0.375 - (-0.432)\} = 0.807$. respectively. Thus with respect to the characteristic based on which comparisons are made the values of brands X, Y and Z on an interval scale are respectively 0, 0.485 and 0.807. Rank order method is the other method of ranking scales. Under this method, the respondents assign ranks for each of the objects under consideration. The best object will receive rank 1 and the worst object will receive rank n where there are in total n objects. Then the rank values for each object are added to arrive at the rank sum for each object. Based on the rank sum one may finally rank the objects based on the views of all the respondents. This is an easier and faster method when compared with pair-wise comparison method. As such the values we obtain are on an ordinal scale and not on an interval scale as in the previous case. But transformation of ordinal data to interval data is possible.

5.5 Construction of scales For measuring the attitude or opinion of the respondents, there is no standard scale available for measurement. The researcher has to develop his/her own scale. This makes the construction of scale an important task in doing research in the social science. Let us describe the differential scale of Thurstone type, Summated scale of Likert type and semantic differential scale for use in such cases. Differential Scale using consensus amongst a panel of judges is based on a set of items relevant to the topic of research. Given a large set of items in the form of statements, judges are asked to group them in eleven groups. First group of statements is the one which a judge thinks is antithetical to the issue. Next most unfavorable statements come under the second group. This process continues with eleventh group containing the most favorable statements as decided by each judge. This method of grouping provides with a composite position for each statement. Major disagreement among the judges will lead to dropping of that statement which belongs to polar opposite groups. For the statements, which are retained, researcher has to assign a score between 1 to 11 depending on its group number suggested by each judge. If there are 3 judges then there will be 3 scores for each selected item. Median score will be final score of that item. In the final set of statements, those statements will get births, which are widely dispersed over the full range 1 to 11. Given this final choice, researcher will apply the same on the respondents to record the statement, which they individually agree with. Opinion of a respondent is assigned a score based on the median value of the statement, the respondent agrees upon. Development of a differential scale takes lot of time and money. At the end, subjective decision process on the part of judges gets intermingled with the scoring pattern. Thus, objectivity in the scaling technique gets severely curtailed. However differential scale is a reliable instrument for measuring a single attitude of the respondents. Summated Scales of Likert type are constructed through item analysis approach. Respondents are requested to express their agreement or disagreement, on a 5-point scale, with some preplanned set of statements. In a conventional Likert's scale these 5 points are respectively Strongly disagree, Disagree, Neither agree nor disagree, Agree and Strongly agree. Response categories often carry scores and scores are assigned to a respondent. The total score measures the attitude of the respondent. Alternatively, each statement of opinion may be studied through aggregation of individual opinions on that statement and study of the response pattern. Initially, the researcher may consider a large number of statements, which express favorableness or un-favorableness in a definite manner. Then a trial test must be undertaken on a small group of respondents with a five-point scale of measure for favorableness or un-favorableness. The score 5 may be assigned to most favorable attitude and the score 1 may be assigned to most unfavorable attitude. Total scores are obtained to examine the discriminating power of the considered statements. Those statements which are having high discriminating power, should be selected for inclusion in the final measuring instrument. Other statements may be discarded.

66 The following is an example where five statements are used to assess the perception about the use of a personal computer (PC). Each of these statements are to be examined on a five point scale as

100%

MATCHING BLOCK 12/19

W

strongly agree, agree, neither agree nor disagree, disagree and strongly disagree.

Statements are the following : 1. A PC gives a better work environment. 2. A PC meets certain specialized needs of high volume computation. 3. A PC can increase efficiency through various functional supports. 4. A PC is a symbol of status. 5. A PC is more expensive compared to benefits it offers. The Likert type scale is easy to construct and takes lesser time when compared with construction of Thurstone type scale. It is also more reliable as because a respondent has to answer against each statement. However, it has some limitations too. There is no reason to believe that the five positions on the scale of measurement are equispaced and hence the scale is more of an ordinal scale than of an interval scale. Sometimes respondents may give answer according to what they think fit without having a direct exposure on the topic of interest. A person without having any work experience on a PC may give answer to all the five statements cited earlier. Semantic differential scale is a type of factor scale, which is helpful in uncovering the latent aspects of an attitude. Respondents are asked to indicate their choices among a set of bi-polar phrases for describing their feelings towards an issue/object. A statement set is framed along the different dimensions of the issue. The semantic scale presumes that the position in-between the two extreme poles describes the neutral position. Consider for example, the following statement set that describes different dimensions along which the brand image of a nasal drop can be studied. Against the statements bipolar responses are given for the responsive choices of the respondents. Statement Set Bipolar responses. Clearance of blocked nose Effective Ineffective. After effect Long lasting Short lived Color Pleasant Unpleasant. Strength of flavor Strong Mild Cooling Effect Strong Weak Wrapper Good Bad. To be effective the researcher first selects the concepts to be studied. The underlying proposition is an object that can have many dimensions of connotative meaning. These meanings are located in multidimensional property space, which is also known as semantic space. Next step is to select the scales. Usually, bipolar rating scales are of seven points.

67 For example, in case of clearance of blocked nose the one pole is effective for which a score +3 is assigned and the other pole is ineffective for which a score - 3 is assigned. In between these two polar points +3 and -3 there are 5 other points in the diminishing degree of effectiveness. These are respectively +2, +1, 0, 1 and -2. It is easy to note that this scale is an interval scale and produces interval data. Thus, attitudes can be measured along different direction in terms of different intensity. The complete set of responses presents a comprehensive picture of meaning of an object along with the measure as suggested by the panel of judges. 5.6. Multidimensional scaling The key objective of multidimensional scaling is to provide with a low-dimensional picture. This reduction in dimension retaining nearly the original order of similarity or distance among the objects can help the researcher in having a visual inspection and arriving at a clear interpretation. When the multidimensional observations are numerical in nature and Euclidean distances in p-dimensions can be computed, the researcher can seek a q ($q > P$), dimensional representation of observations. In a p-dimensional setup if x_1 and y_1 are two multivariate observations of two items respectively the Euclidean distance between these two items is given by $d(x, y) = \sqrt{\sum_{i=1}^p (x_i - y_i)^2}$. If the researcher has n items there will be $m = n(n-1)/2$ combinations of two items each. The distance between the i-th item and j-in item can be represented by $d_{ij}(p)$ in the p-dimensional setup. In case $q < p$ consider lower dimension q then the distance between i-th and j-th items can be represented by $d_{ij}(q)$. The choice of q should be such that the following measure, E, will be minimized: $E = \sum_{i,j} |d_{ij}(p) - d_{ij}(q)|$. In this approach the Euclidean distances in the p-dimensional and a-dimensional setups are directly compared to ensure closeness amongst them. This closeness indirectly retains, as far as possible, the original ordering of the distances of pair-wise objects. If E value is zero the choice of q dimension is perfect, if E value is 2.5% it is excellent, if E value is 5% it is good, if E value is 10% it is fair. Rest is a poor fit.

68 It is possible to arrange n items in a low-dimensional coordinate system using only the rank orders of the $m = n(n-1)/2$ original similarities or distances and not their actual values. When the ordinal data is used to have a lower dimensional geometric representation the approach is called non-metric multidimensional scaling. When the original similarities or distances are used to have a lower dimensional geometric representation, the approach is called metric multi-dimensional scaling. 5.7 Summary Measurement is a process of mapping. It maps different aspects of the members of a domain on to some other aspects of a range set. Mostly the mapping is on a real line or an interval of the real line. Measurement scales are of four types viz., nominal scale, ordinal scale, interval scale and ratio scale. In nominal scale numerical values assigned to objects are numerical names. This is mainly used for transforming categorical data. No numerical operation can be carried out on nominal data. However, one can count the frequency of occurrence of a particular code or nominal value. In ordinal scale one transforms the performance into numerical data by indicating the order of preference. Numerical operations such as addition, subtraction, multiplication and division cannot be carried out on ordinal data. But some statistical measure like rank correlation coefficient, median value and some statistical tests based on ranks can be carried out. Under interval scale, there is a constant unit of measurement but the zero point of measurement is arbitrary. All the commonly used statistical measures and tests can be used for analyzing interval data. Ratio scale is where unit of measurement is constant and the zero point is fixed. All the statistical measures can be computed and all the numerical operations can be undertaken. For research in the field of social science, quite often the researcher has to develop own measurement tool. This is due to the fact that the frequent problem faced in social science is to measure the attitude and behavior of individuals. Stages of development of a measurement tool are concept development, dimension identification, selection of indicators of each dimension and formation of an overall index. Scaling techniques are many in number. These scales can be grouped under two general heads, viz., rating scale and ranking scale. Under rating scale graphic rating scale and itemized rating scale are popular. Graphic rating scale presents a continuum on which various judgmental points are placed. This continuum may be of the form of a line or a box. The respondent puts a tick mark on the suitable position of the continuum as per his/her opinion. In itemized rating scale a sequence of statements are given in order of adherence to a property. The respondent selects the statement which is closest to his/her

69 personal view. Rating scales are easy to use and enjoy wide applicability. But they suffer from error of central tendency and error of halo effect. Ranking scale is an alternative to rating scale and provides with ordinal data. In case pair-wise comparison is made, the ordinal data can be converted into interval data. In the rank order method direct ranks are given to objects and is easy to use. Data generated is ordinal data but can be converted into interval data also. Popular methods for construction of measuring instruments are differential scale, summated scale of Likert type and semantic differential scale. In case one wants to go for low-dimensional data for geometric representation one may use multidimensional scaling. Lower dimensional data are helpful in making interpretation and presenting pictorial outlay.

5.8. Questions Long answer type questions.

1. What do you mean by measurement? In what way do the following scales differ: nominal scale, ordinal scale, interval scale and ratio scale?
2. Give an example with explanation for each of the following data: nominal data, ordinal data, interval data and ratio data.
3. Discuss the usefulness of rating scale with special reference to itemized rating scale.
4. "Development of a measurement tool has to pass through four stages." What are those four stages? Explain each of these stages by referring to one research problem of social science.
5. Explain the usefulness of pair-wise comparison method for ranking objects. How do you convert ordinal data into interval data under this method?
6. The following table presents pair-wise comparison data for 3 Cold drinks: Coca Cola, Pepsi and Thums up. Preference for Brand Coca Cola Pepsi Thums up
In comparison to Coca Cola - 130 160
Pepsi 170 - 180
Thums up 140 120

(a) How many respondents were covered? (b) How do the brands rank in overall performance? (c) Obtain the score for these three brands on an interval scale.

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7. Describe the method of scale construction for summated scale of Likert type.
8. What differences are there between differential scale and semantic differential scale? Which one do you prefer and why?
9. Explain the need for multidimensional scaling. Explain one metric multidimensional scaling technique.
10. Compare and contrast summated scale and differential scale.

Short answer type question:

1. Explain why χ^2 test for association of attributes can be applied but no numerical operation can be carried out on nominal data.
2. Can we measure the degree of association between two attributes measured on ordinal scale? Explain.
3. What is the basic difference between interval and ratio scales? Explain.
4. Explain graphic rating scale.
5. Describe the problems associated with rating scale.
6. For large number of items, would you prefer pair-wise comparison method or rank order method? Give reasons.
7. How do you construct a differential scale?
8. Explain the construction of a summated scale.
9. Explain with an example semantic differential scale.
10. What is the objective of multidimensional scaling? Explain goodness of fit with respect to E-value.

Objective type Questions Indicate whether the following statements are true or false.

1. Measurement is a process of mapping. True False
2. The range set is identical with the real line. True False
3. No measure of central tendency can be calculated from ordinal data. True False
4. Addition and subtraction are permitted for interval data. True False

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5. Division is allowed for ratio data. True False
6. Index is generally a weighted average of indicators. True False
7. In graphic rating scale only two judgmental points can be used. True False
8. Graphic rating scale is an ordinal scale. True False
9. Itemized rating scale is an interval scale. True False
10. High heaping near the central point is known as halo effect. True False
11. Total number of comparison made for $(n+1)$ objects is equal to $n(n+1)/2$. True False
12. Ordinal data of pair-wise comparison method can be converted into interval data. True False
13. Rank order method is a nominal method. True False
14. Construction of differential scale involves formation of 11 groups. True False
15. Statements, which have high discriminating powers, are included in the final set of a summated scale. True False
16. Multidimensional scaling reduces the dimension of observation always through metric method. True False

72 Unit 6 Value and Cost of Information Structure 6.1 Introduction 6.2 Value of information from research 6.3 Summary 6.4 Questions

6.1 Introduction Though traditional economist in their profit maximization models did not include cost of information yet cost of information is a very important factor that can have significant impact on the optimum decision rule. Specially, in today's business environment this cost is not only important but also becoming very high. The demand for information is on the rise; so also the cost of information. Even if we are willing to include the cost of information in a decision-making process there is a tendency to consider the cost of data collection as the most important cost item. There is no doubt that collection of data needs substantial resources but that requirement is comparatively less so far as the total research outlay is concerned. The cost of data collection is at the most one-third of the total research budget. Project planning, and analysis, interpretation and report writing are the two other major heads each requiring nearly one third of the research outlay. Budget formulation is one of the most important tasks the researcher has to undertake. Those researchers who apply for fund from different organizations should be able to identify the resources, determine the cost of planning, cost of data gathering and cost of analytical studies and reporting. There are three ways for formulating budget for a research work. The first one is the rule of thumb budgeting, second one is the functional area budgeting and the third one is the task budgeting. Under the rule-of-thumb budgeting one considers, as a convention, a fixed percentage of some other criterion and fixes the same as the budget outlay. For example, marketing research budget may be fixed at 10% of the sales revenue generated in the earlier year. Here, the other criterion is the last year's sales revenue; the fixed percentage is 10%. Under the functional area budgeting, a fixed portion of the total expenditure is considered as the budget outlay of the research activities. This is a very common practice followed by both government_ and nongovernmental organizations, and profit making and nonprofit making organization. This being a fixed portion of the total expenditure, lot of autonomy can be given to functional units for clearing their respective research projects. Under the task budgeting each project is examined on a case-by-case method and techniques such as cost-benefit analysis are employed to ascertain the suitability of the scheme. For schemes, which

73 clear the technical analysis, one finds out the budget requirements and adds them to arrive at the total research outlay. 6.2 Value of information from research The usefulness of information collected from a research study determines the benefit of the research. A research study may increase revenue, eliminate the risk of losses, strengthen the promotional campaigns, help in fixing the right price for the company's offer and so on. There are cases where a research study can be simply wastage of funds and time. It is therefore extremely important not to look at the cost of a research project only but to simultaneously examine the benefits that will inflow into the system that sponsors the research project. Only when the net benefit is more than the net cost, a project can be cleared for execution. This difference between the benefit and cost is the value of information from research. It is not very difficult to ascertain the value of applied studies. Applied studies are objective oriented where the objective is specific in terms of revenue or profit or cost or any such measure of the organizational efficiency. In that case one may judge the benefit of a research study in terms of added revenues, or additional profit, or reduction in cost or increase in efficiency as the case may be. Sometimes value of research information can be expressed as the difference between the results of the decisions taken with the research information and the results of the decisions taken without the research information. This later approach is appealing in the context of decision making under risk. Let us examine, in detail some of the evaluation methods, which are of use and can be of much help in determining the benefits of a research study. These commonly used methods are Prior evaluation, Posterior evaluation and Option analysis. The decision theory approach with special reference to Bayesian analysis will be separately covered in the next section. Prior evaluation is mostly carried out based on the information need of an organization and the probable contribution of the proposed research studies. We say probable because neither the costs nor the benefits are predictable or estimable with definiteness in many of the research studies. For example, in case of a proposal for under-taking detailed management audit of the basic operations in a company where the management is in a fix over the problems it is facing in the business environment. The need for taking up such a management audit is beyond question. But the risk involved in terms of costs and benefits are not easily estimable. For cases where prior need is understood but value of information is not clear the research study may be subdivided into stages so as to minimize the overall risk and facilitate the evaluation part. Prior evaluation of the benefits and

74 cost may be difficult for the entire study. But stage-wise evaluation becomes easier as one has to evaluate for only a sub-part and the posterior evaluations will be available for the earlier stages. At any stage of the work, the sponsor may withhold the authorization and discontinue the rest of the work if sufficient benefit does not accrue to the sponsor. Posterior evaluation measures the value of research only after the research is over. One may consider an objective estimate of the contribution of the research towards aimed at benefit. For example, this benefit, also referred as net benefit, may be corporate profitability when one conducts research in the field marketing. Similarly, this benefit may be expressed in terms of reduction in cost when one conducts research in the field of production. Posterior evaluation is best possible when information is quantifiable in terms of measures of efficiency of the organization under study. It is also desirable that observations of the type before and after are available to estimate the change in the state of the system organization. Option analysis examines the alternative courses of actions available with the decision makers. These alternative courses must be well defined and estimated costs and benefits associated with each option should be available. While costs are easy to approximate, benefits are difficult to estimate. Mostly these estimate are crude. One may refer to decision theoretic approach as an example of option analysis. 6.3 Summary Cost of information is very high in today's business environment. There is a tendency to consider the cost of data collection as the most important cost item. But, in reality, cost of data collection is only one-third of the total research budget. Project planning and analysis, interpretation and report writing are the two other important cost items. Since information is costly, budget formulation assumes priority. There are three ways by which budget can be formulated. These are known as rule-of-thumb budgeting, functional area budgeting and task budgeting. Under rule-of-thumb budgeting one considers a fixed percentage of some other criterion and fixes the same as the budget outlay. Under the functional area budgeting a fixed portion of the total expenditure is considered as the budget outlay of the research activities. Under task budgeting each project undergoes cost-benefit analysis. Those projects which are cleared by the technical analysis, are studied for fund requirement. Total fund requirement of all the cleared projects is the final budget outlay of research. Benefits of the research are determined by the usefulness at the information generated by research activity. A research study may increase revenue, eliminate the risk of losses, strengthen the promotional activities and so on. It is extremely important to look at both

75 costs and benefits of a project. To determine the benefits one may undertake prior evaluation, or posterior evaluation or option analysis. Prior evaluation is mostly carried out based on information need of an organization and the likely contribution of research. If the value of information to be generated by the research is not clear at the beginning the research work may be subdivided into stages. This minimizes the overall risk as stage-wise evaluation is easier and the work may be continued or discontinued depending on the net benefit of the earlier outcomes. Posterior evaluation measures the value of research only after the research is over. It is best possible where information is quantifiable in terms of a measure of efficiency. Option analysis examines alternative courses of action in terms of expected pay off or some related measures. Generally, option analysis is supported by decision theoretic approach. Under decision theory under risk we may evaluate the benefit in many ways.

Two most prominent approaches are perfect information along with its costs and benefits and sample information along with its costs and benefits. The expected value of perfect information is the difference between the expected pay off under perfect information and the expected pay off under prior analysis. The expected value of sample information is the difference between the expected pay off under Bayesian posterior analysis and the expected pay off under prior analysis.

6.4 Questions Long answer type questions

1. 'Increased information need has increased the cost of information.' Critically examine the above statement with special reference to business activities.
2. Explain different methods of budgeting.
3. How do you propose to determine the value of information?
4. Explain the concept of perfect information and the expected value of perfect information.
5. Using the Bayesian approach, determine the expected value of sample information.

Short answer type questions :

1. Explain three major cost components of research.
2. 'Functional area budgeting gives more autonomy.' Explain.
3. 'Prior evaluation is difficult but necessary'. Why?
4. Which information do you prefer perfect information or simple information? Why?
5. Indicate the major use of Bayes' theorem in option analysis.
6. Can the value of sample information be more than the value of perfect information? Give reasons.

76 Objective type questions. Indicate whether the following statements are true or false.

1. Cost of data collection accounts for 50% of the total cost of research. True False
2. Cost of project planning is an important cost item. True False
3. Rule-of-thumb budgeting is based on bargaining power mainly. True False
4. Posterior evaluation is best possible when information is quantifiable. True False
5. Under prior analysis best course of action is the one that maximizes the expected pay off True False
6. Perfect information cannot change the expected pay off in the positive direction True False
7. Indicators or reports are made of perfect information. True False
8. Posterior analysis is based on Bayesian approach. True False
9. The Expected pay off under sample information cannot be more than the Expected pay off under perfect information. True False
10. Posterior analysis is expected to give better pay off than prior analysis. True False

77 Unit 7 ppppp Sampling Design Structure

- 7.1. Introduction
- 7.2. Sampling Design
- 7.3 Choice of sampling technique
- 7.4. Summary
- 7.5. Questions

7.1. Introduction The researcher may opt for sample survey when complete enumeration is beyond the scope of the study. If the number of units to be studied is small, the method of enumeration is not destructive and the requisite skill for enumeration is available to cover all the units one may resort to complete enumeration in place of sample survey. However, mostly the number of units to be studied is not small and the cost of research is to be controlled. In those cases one may go for sample survey. It has a greater scope in the sense that requirement of trained personnel, specialized instruments, and requirement of time will be much less in sample survey than in complete enumeration. There may be greater coverage of information and more in-depth study. A sample survey, is also found to be more error-free than complete enumeration because there is a better control of non-sampling error. A Sampling design is a plan for selecting units from the set of all units, commonly known as universe or population. Sampling design should, therefore, define the universe in clear terms. Sampling design may also indicate the size of the sample. Thus, a sampling design addresses two vital questions: The first question is: How the units are to be drawn from the population? The second question is: How many units are to be drawn? Depending on the nature of the research problem and precision requirement the researcher may decide about how many units are to be drawn and the procedure for drawing those units. The ultimate units to be studied during the survey work are known as sampling units. A sampling unit for a household survey may be a family. A sampling unit for an opinion survey may be an individual. The list of all the sampling units is known as the sampling frame. It contains the identification of sampling units so that a selected unit from the sampling frame can be uniquely identified. If the sampling frame is not available but can be prepared, the researcher may develop it for his research purpose and also for the purpose of future use. If the sampling frame is not reliable the sample cannot be a representative one. In cases where the sampling frame is difficult to obtain one may

78 divide the selection procedure into multiple stages. In the first stage, sampling frame for only the first stage-sampling units is needed. For the second stage, the sampling frame of the second stage units for each of the selected first stage units is needed. For example, for selecting households on an all India basis the sampling frame of all the households may not be available. But ideally one may select a few states, from the selected states a few districts may be selected. In this way the construction of sampling frame of households gets restricted to only the selected districts. This approach of multistage sampling works well with large-scale sample survey where the sampling frame of ultimate sampling units is not always readily available. Problem of lack of sampling frame arises in cases of moving population like fishes in a pond, birds of migrating type, tigers in a forest and so on. Generally, catch and recatch method is applied for these cases to avoid the problem of constructing complete sampling frame. The objective of the study, the characteristics of interest and the related measures of the population are all important in shaping the scheme of sampling procedure. For example, if information is required for different age groups it is desirable to prefix the sampling design in such a way that all the age groups are well represented in the sample. Similarly if sampling units are of unequal importance, like companies of different levels of transaction, one has to assign unequal chances for selection of those units from the corresponding overall population. Keeping in mind the above concepts and considerations, we first address the problem of selection of sampling units and then the problem of determination of sample size and the estimation of population measures. It is easy to note that if we know how estimate the population mean we know how to estimate the population proportion and the population total. In view of this we shall consider the case of estimating the population mean mainly.

7.2. Sampling Design Under sampling design, the researcher must propose the concrete plan of drawing the sampling units from the sampling frame. The basis for selection may be either probability value or non-probability value. In non-probability sampling there may be restriction on the inclusion, of units in the sample or there may not be any restriction at all. For unrestricted non-probability sampling, sampling units may be selected in a haphazard manner without any systematic procedure. There is a tendency of projecting haphazard sampling as a random sampling procedure. But, in reality, these two procedures are completely different. Random sampling, to be described later, is a systematic and probabilistic procedure. Haphazard sampling, on the other hand, is an unsystematic and non-probabilistic procedure. In case of random sampling, one can

79 draw statistically valid conclusion about the population. In case of haphazard sampling, no statistically valid conclusion can be drawn. Selected sampling units can at best be described through different measures. One cannot make use of those measures for inductive inference. For restricted non-probability sampling one may adopt purposive or judgment sampling in the most general sense, purposive sampling means selection of sampling units based on a prefixed purpose. It is expected that the purposive method may result in a representative sample. Unfortunately, this expectation can hardly be scientifically established. The extent of bias cannot be estimated and the extent of error remains unclear and unknown. Moreover, for a multipurpose survey, selection of units based on one purpose may not be suitable for throwing light on other aspects of the survey. For example, if one purpose fully selects average performers from a group of sales representatives one may closely estimate the average performance but the population variation in respect of performance can hardly be estimated. A significant underestimation of variation will be reported under such a choice. For probability sampling there may be both restricted type and unrestricted type sampling procedures. Example of an unrestricted probability sampling is simple random sampling. Example of a restricted probability sampling is stratified random sampling. In this context it may be made clear that probability sampling and random sampling are not equivalent. In probability sampling, probabilities are assigned to sampling units for selection. Random sampling is a special kind of probability sampling where assigned probability values are equal. Hence, a probability sampling is not necessarily a random sampling procedure. Simple random sampling is of fundamental importance in the field of Statistics. The concept of sampling distribution is having the basic assumption of random sampling. By random sampling we mean selection of the sampling units through assignment of equal chance of selection to each unit at every stage of selection. Thus, each unit of the population has the same chance of inclusion in the sample.

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Simple random sampling is of two types: simple random sampling with replacement (SRSWR) and simple random sampling without replacement (SRSWOR).

Let us explain these concepts in detail. In SRSWR, at every stage of selection there are as many units in the sampling frame as they are in the original population. This means, if the universe or the population is made of N units, U_1, U_2, \dots, U_N then at every stage of selection there will be (U_1, U_2, \dots, U_N) units to be sampled and irrespective of the earlier selection each unit will be assigned a probability value $1/N$ for selection in the current stage. This process of selection is repeated n times where n is the sample size. For simple random sampling without replacement (SRSWOR), in the selection of first unit there are N units in the sampling frame with each sampling unit having a probability of selection as $1/N$. In the second round there will be $(N-1)$ units in the sampling frame with each unit having a chance of selection as $1/(N-1)$. The unit selected in the first round

80 will not feature in the sampling frame of the second round. This process continues till n sampling units are selected. Typically, in the k -th round, k varying from 1 to n , there will be $(N-k+1)$ units in the sampling frame. Each of these units will be assigned a probability of selection as $1/(N-k+1)$. All the units selected up to the $(k-1)$ -th round are to be deleted from the original list of sampling units and the new sampling frame is to be constructed for selection of the k -th unit. Thus, for SRSWOR the chance of selection of a sample is $[N C n] = n!/[N(N-1)\dots(N-n+1)]$. As there are $N C n$ possible choices of n units from a population of N units and all the sample possibilities have equal chances of selection. In this sampling procedure the precision level can be increased by increasing n . It is inexpensive and simple and provides valid estimator. But a complete frame is needed to make it operational. Let us consider, for the purpose of demonstration, a small population of size $N = 6$. Let the population be denoted by $U = (U_1, U_2, U_3, U_4, U_5, U_6)$. Let us draw a sample of size $n = 3$ from this population both with replacement and without replacement. For making the choice of a unit we take help of random number table. A random number table is a row and column-wise arrangement of digits 0, 1, 2, 3, 4, 5, 6, 7, 8, 9/such that each position in that rectangular arrangement is filled up by selecting one of these ten digits with equal chance of selection and independently of selection for other positions. The main benefit arises out of the fact that randomization of the digits can be done once for all and hence the population units are not to be randomly arranged. Once the population is given with each unit having an ordinal number (here U_5 is the 5th unit, say) we have to make a correspondence between the population and the random number series. Let us consider the following part of random number table constructed by L.H.C. Tippett, No. xv pp 12-13. 4652 3819 8431 2150 2352 2472 0043. Since our population is of size 6 let us decide to accept one digit random number and let us make a correspondence between the sampling units and random numbers as : Unit Random number Unit Random number U_1 1 U_2 2 U_3 3 U_4 4 U_5 5 U_6 6 and the rest of the random numbers, i.e., 0, 7, 8 and 9 be rejected for, the purpose of selection for the present problem. Suppose we decide to start from the position of the quoted random number series. Our starting digit is 3. Once the starting position is selected it will remain fixed and subsequent numbers are to be selected either row-wise or column-wise without any gap. Our first selected random number is 3. Hence the first unit to be selected is U_3 . The next number is 8 but 8 has no correspondence with the population units and hence we reject the number 8. The next number is 1. It corresponds to U_1 . Hence the next unit selected is U_1 . The next number is 9 but 9 has no correspondence with the population units. So we reject the number 9. The next number is 8 which has also no correspondence with the population units. Hence we reject the number 8 too. The next number is 4 which corresponds to U_4 . Thus, the third unit selected is U_4 . This completes the selection of all the 3 units from the given population. The selected sample of size 3 is given by $s = (U_3, U_1, U_4)$. This selected sample meets requirements of both SRSWOR and SRSWR as there is no repetition of units. In SRSWOR we have to reject the selection of a unit if that unit has already been selected in the sample and go for a fresh selection. Let us consider a population of size 987. This means $N = 987$. The population units be represented by $U_1, U_2, U_3, \dots, U_{986}, U_{987}$. Thus, the population is $U = (U_1, U_2, \dots, U_{987})$. To draw a sample of size 4 from this population we make use of the same random number series. This time we have to consider 3 digit random numbers because N is a 3 digit number. Let the starting point be the first position of the quoted random number series. The first random number is 465 and we select the unit U_{465} . The next random number is 198 and we select the unit U_{238} . The next random number is 198 and we select the unit U_{198} . The last random number is 431 and the selected unit is U_{431} . Thus, the selected sample by both SRSWR and SRSWOR (as there is no repetition of units in the selected sample) is $s = (U_{465}, U_{238}, U_{198}, U_{431})$. Let us consider another example where the population size is $N = 110$. In such a case we have to consider 3 digit random numbers. But many of the 3 digit random numbers will be more than 110 and hence there will be many rejections if we do not accept random numbers above 110. Here we adopt a different procedure. Since the highest integer multiple of 110 which is also a 3 digit number is 990 ($= 9 \times 110$) we consider random numbers acceptable for selection to vary between 001 to 990. We reject random numbers 000 and 991 to 999. Thus only 10 random numbers we are rejecting. Rest will have correspondence with population unit. Correspondence will be made through remainder method. Given any 3 digit random number we shall divide it by 110 and note down the remainder. If the remainder is zero we consider U_{110} . For the rest of the cases, i.e., from 1 to 109 we consider units from U_1 to U_{109} . Once this correspondence between 3 digit random numbers and population units is established let us draw a sample of size 3 by SRSWOR method. Let the starting point of the random number series be the 9th position. Then the first 3 digit random number is 843. This is less than 990 and more than 000. We accept this number. Dividing 843 by 110 we get the remainder as 73. So the selected sampling unit is U_{73} . The next number is 121. The corresponding unit selected is U_{11} because the remainder is 11. The last number is 502 with remainder as 62. The corresponding unit is U_{62} . Thus, the sample selected is $s = (U_{73}, U_{11}, U_{62})$.

82 Systematic Sampling is a special type of sampling design where the process of selection of sampling units is systematic and simple but not fully random. In the ideal case, the population size N is an integer multiple of sample size n . Thus, in the ideal case $N = kn$ where k is an integer. Then, one may divide the population into k blocks each with n units. The first block is made of units $U_1, U_{k+1}, U_{2k+1}, U_{3k+1}, \dots, U_{(n-1)k+1}$, the second block is made of units $U_2, U_{k+2}, U_{2k+2}, \dots, U_{(n-1)k+2}$ and so on, the last block being made of $U_k, U_{2k}, \dots, U_{nk}$. In place of selecting each unit randomly, in systematic sampling one selects one of these k blocks by the random procedure. If r is the selected random number between 1 and k , then the selected sample is $U_r, U_{k+r}, \dots, U_{(n-1)k+r}$. Thus, units are selected periodically with period as k . Once the first unit selected is U_r the subsequent selected units are periodically drawn with period k , i.e., $(k+r)$ -th unit, $(2k+r)$ -th unit and so on. In case the ideal situation does not hold true i.e., N is not equal to kn we find the value of k as $N = kn + k'$ where $1 \leq k' < n$. In such a case the selection of unit follows a periodic pattern with the period as k and the starting point r , randomly selected between 1 to N . Units are arranged along a circular path so that starting from U_r , we move up to UN and after UN there comes the first unit U_1 , then U_2 , and so on. Systematic sampling is a very simple and convenient method. It takes less time to select the complete sample. Results obtained from the systematic sampling are mostly satisfactory. However, problem arises in case there is a periodic arrangement of units in the population. For example, if every 15th house is a rented one there is chance that all the selected houses will be of rented type. To explain this method of systematic sampling further, let us consider a population of size 110 from which a sample of size 10 is to be selected. Here $N = 110$ and $n = 10$. Hence $k = N/n = 110/10 = 11$. We have to first select a random number between 1 to 11. We need to select a 2 digit random number and let us follow the remainder method. Thus, admissible random numbers will range from 01 to 99 and rest of the numbers i.e., 00 will

83 be inadmissible. If we start from the 1st position of the quoted random number series the two digit random number comes out to be 46. Using remainder method we get the r value as 02. Thus, the first unit selected is U_2 . Rest of the units will be selected with a periodicity of $k = 11$. Hence the selected sample is $s = (U_2, U_{13}, U_{24}, U_{35}, U_{46}, U_{57}, U_{68}, U_{79}, U_{90}, U_{110})$. Stratified random sampling is a restricted version of the simple random sampling. In simple random sampling, sampling units are drawn from the entire universe. But, in a stratified random sampling, the universe is divided into different strata and from each stratum sampling units are drawn based on simple random sampling. This restricted approach aims at meeting dual objectives. The first objective is to provide with information for each stratum separately and for the entire population jointly. The second objective is to reduce the extent of error and this can be achieved by constructing strata in such a way that within stratum variation is minimum and between strata variation is maximum. In other words, this means that the units are as homogeneous as possible within a stratum and are as heterogeneous as possible between the strata. The strata must be exclusive and exhaustive representation of the population with the criterion of stratification, i.e., the stratifying factor dictated by the objective of the study. Stratifying factor may be sex if we want to present information separately for males and females and make a comparative study. Stratification may also be based on age, educational level, and geographic region if the objective of the study so demands. Within each stratum, as we propose to draw samples based on simple random sampling, the sampling procedure will be exactly same as described under simple random sampling, with or without replacement. However, one major issue needs to be addressed. This is about the sample size, n_i , to be drawn from the i -th stratum. Let N_i be the size of the i -th stratum and let there be, in total, k strata. Then $N = N_1 + N_2 + \dots + N_k$, and the total sample size $n = n_1 + n_2 + \dots + n_k$. Under Bowley's proportional allocation n_i is proportional to N_i . Thus, $n_i = C N_i$ for some constant C independent of $i, i=1,2,\dots,k$. This independent of $i, i=1,2,\dots,k$. This means, $k \times C = n$ or $C = n/N$. Hence $n_i = n N_i / N, i=1,2, \dots, k$. Proportional allocation is a simple and convenient method which can be implemented without any additional information. Neyman's formula for optimum allocation takes into consideration both stratum size and stratum variability. If X_{ij} is the value of the character under study for the j -th unit of the i -th stratum, $j = 1, 2, \dots, N_i$ and $i = 1, 2, \dots, k$, then the population mean, for the i -th strata, X_i and population variance for the i -th strata, S_i^2 , are given by $X_i = (X_{i1} + \dots + X_{iN_i}) / N_i$ and $S_i^2 = [(X_{i1} - X_i)^2 + \dots + (X_{iN_i} - X_i)^2] / (N_i - 1)$.

84 Then, the Neyman's optimum allocation is given by $n_i = n N_i S_i / [N_i S_i + N_2 S_2 + \dots + N_k S_k]$ For example, - for a population with size $N = 1,000$ with 4 strata, the respective stratum size N_i and standard deviation S_i values are given as : $N_1 = 400, S_1 = 15$; $N_2 = 300, S_2 = 20$; $N_3 = 200, S_3 = 10$; $N_4 = 100, S_4 = 5$. If it is decided to draw samples with the overall sample size $n = 100$ then under the proportional allocation sample sizes will be $n_1 = n N_1 / N = 100(400)/1000 = 40, n_2 = n N_2 / N = 100(300)/1000 = 30, n_3 = n N_3 / N = 100(200)/1000 = 20$ and $n_4 = n N_4 / N = 100(100)/1000 = 10$ Under the Neyman's optimum allocation we have

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$$n_1 = n N_1 S_1 / [N_1 S_1 + N_2 S_2 + N_3 S_3 + N_4 S_4] = 100(400)(15) / [(400)15 + (300)20 + (200)10 + (100)5] = 100(400)(15) / [6000 + 6000 + 2000 + 500] = 100(6000) / 14500 = 41 \text{ (nearest integer)}$$

$$n_2 = n N_2 S_2 / [N_1 S_1 + N_2 S_2 + N_3 S_3 + N_4 S_4] = 100(300)(20) / 14500 = 41 \text{ (nearest integer)}$$

$$n_3 = n N_3 S_3 / [N_1 S_1 + N_2 S_2 + N_3 S_3 + N_4 S_4] = 100(200)(10) / 14500 = 14 \text{ (nearest integer)}$$

$$n_4 = n N_4 S_4 / [N_1 S_1 + N_2 S_2 + N_3 S_3 + N_4 S_4] = 100(100)(5) / 14500 = 4$$

adjusted for a total sample size as 100) It may be noted that stratified random sampling is more representative than simple random sampling. It provides with greater precision because of the stratification of the population into homogeneous strata with between strata variation as high as possible and within stratum variation as low as possible. It has administrative convenience due to division of the population into different strata. There may be reduction in respect of both time and cost of data collection. However, the division of population into homogeneous strata requires prior knowledge on the population. Similarly, optimum allocation assumes knowledge of population standard deviation. But this information may not be available with the researcher. In cluster sampling the population is divided into some recognizable subgroups which are smaller in size. These subgroups are called clusters. Thereafter a sample of clusters is 85 selected by simple random sampling from the population of clusters. For the selected clusters all the sampling units belonging to these clusters are to be studied for the survey work. For example, if we have to conduct an opinion poll in the city of Kolkata we may divide Kolkata into different localities according to post office. Each locality will be treated as a cluster. If there are 117 such clusters. We may select 12 clusters from these 117 clusters and cover all the households for those selected clusters. This method of cluster sampling is popular when data is to be collected for some common characteristics of the human population. If the clusters are large in number and small in size one may expect a reasonable level of precision. It is also desirable that the clusters be preferably of nearly equal size. Multistage sampling is carried out in stages where the units to be sampled are

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regarded as made of a number of first stage units, each first stage unit is made of a number of second stage units and

each second stage unit is made of a number of third stage units and so on. Thus, ultimate sampling units are reached via multiple stages through higher stage units. One may adopt simple random sampling or some other method for selecting units in each stage of sampling. We have already indicated that for implementing multistage sampling one does not require the complete sampling frame. Sampling frame of first stage units is needed for sampling in the first stage. Sampling frames of second stage units of the selected first stage units are needed for sampling in the second stage and so on. These ensure administrative ease and hence multistage sampling is a popular design for conducting large-scale sample survey. Though this flexibility in the sampling procedure may reduce the cost and time for conducting the survey work, it may reduce the level of precision also. In fact, it is generally less efficient than some suitably designed single stage sampling procedure. Variability of the estimates under multistage sampling depends on the composition of the first stage units, second stage units and so on. Convenience sampling is one in which a sample is selected based on the convenience of locating and contacting the sampled units for the purpose of collection of information. Neither the probabilistic method nor the judgmental method are taken into consideration. Results obtained from convenience sampling are not satisfactory as they hardly depict the behavior of the complete population. Quota sampling is a type of stratified sampling where the population is divided into multiple strata. The investigator is informed about the number of units to be covered by him from a particular stratum assigned to him. How these units will be selected will be left entirely to the discretion of the investigator. The investigator may or may not resort to simple random sampling method to select the units. He/she may go by his/her judgment or convenience to get the result as early as possible. For example, in a survey on job opportunity an investigator may be asked to cover 200 individuals belonging to general category, 50 86 individuals belonging to scheduled caste category, 29 individuals belonging to Scheduled Tribe category and 50 individuals belonging to OBC category. The investigator enjoys complete flexibility in selecting such individuals while the number of individuals to be surveyed from each category remains fixed. Thus, quota sampling is a mixture of stratified and convenience sampling. In case the investigators are highly skilled and if they are closely supervised this method may give desirable results in less time and cost. However, it suffers from all the limitations of nonprobability sampling. The extent of error in estimation cannot be worked out. As a result, the error term cannot be controlled.

7.3. Choice of sampling technique As it is difficult to suggest a sampling technique which is uniformly better than the rest of the techniques, choice of a sampling technique depends on the objective of the study and the field/ research situation. In different situations different techniques would be useful. In general, the size of the population, availability of sampling frame, availability of resources and time, precision requirement in terms of sampling error and administrative ease, all play decisive roles, collectively or individually, in making a choice of the sampling method. It is also not clear whether a probability sampling provides a better solution than a non-probability sampling. For example, if it is a choice between simple random sampling and purposive sampling one cannot decide in favor of one over the other. A researcher should weigh the relative strengths of these two methods and arrive at the best choice. If the sample size is small compared to the population size, the purposive sampling technique may be giving a better result than the simple random sampling. The simple random sampling, on the other hand, may gain edge over purposive sampling as the ratio of sample size to population size increases. Quite often stratified random sampling provides with a higher level of precision than the simple random sampling. This happens especially when the population can be suitably subdivided into homogeneous strata. Sometimes, multistage sampling may give better result than the single stage sampling methods. A good sampling design is the one which ensures a proper representative sample and describes the aimed at behavior of the population in a better way. The design that can reduce the sampling error in a significant way is a good design and should be kept in mind while making a final choice of the sampling technique. The systematic bias that arises out of errors in the sampling procedure and cannot be reduced by a mere increase in the sample size, is to be kept under control.

87 7.4. Summary Since cost of research, time of study and error are less in case of sample survey than complete enumeration one may adopt sample survey method for collection of data. Scope is also more for sample survey. To conduct a sample survey one must plan for selecting units from the set of all units. The set of all units is known as universe or population. The plan of selecting units is known as sampling plan. Ultimate units to be selected are sampling units and the list of sampling units, from which samples are drawn, is known as sampling frame. Selection of sampling units may be based on probability sampling and non-probability sampling. Each one of them may be either restricted type or unrestricted type. For unrestricted probability sampling, sampling units may be selected in a haphazard way. This is unsystematic, and non-probabilistic and hence no valid conclusion can be drawn. For restricted non-probability sampling one may adopt purposive or judgment sampling. Purposive means based on a prefixed objective. Example of an unrestricted probability sampling is simple random sampling. It is of fundamental importance in the field of statistics. Simple random sampling without replacement means selection of units from the population with equal probability without returning the selected units to the population. In case selected units are put back to the population for fresh selection, we term it as simple random sampling with replacement. Random number tables are of help in selecting sampling units. Systematic sampling is a quasi-random procedure where there are k sets of sampling units, each set containing equal number of units, equal to the sample size n . Then a set is selected at random. Stratified random sampling is an example of restricted probability sampling where the entire population is divided into homogeneous strata with within stratum variation as minimum as possible and between strata variation as maximum as possible. From each stratum samples are drawn based on simple random sampling principle. Number of units to be drawn for different strata can be determined by the principle of proportional allocation or optimum allocation. Other important variants of sampling procedure are cluster sampling, multistage sampling and quota sampling. In quota sampling procedure is similar to stratified sampling except the fact that the investigator based on his/her judgment selects units from different strata. In cluster sampling population is divided into recognizable groups of small sizes. Then, randomly selected groups constitute the total sample. In multi-stage sampling, sampling units are selected in stages: first stage, second stage and so on, the last stage giving the ultimate units to be selected. Thus, first stage units are made of second stage

88 units, second stage units are made of third units and so on. The last stage units are the ultimate units. Since so many techniques of sampling are available, one has to make a choice of sampling technique. This choice should be based on size of the population, availability of the sampling frame, availability of resources and time, precision requirement and administrative ease.

7.5. Questions Long answer type questions. 1. What do you mean by a sampling plan? Indicate why one may opt for sample survey for collection of data. 2. Explain the concept of non-probability sampling, both restricted type and unrestricted type. 4. Describe two variants of simple random sampling explaining, in details, the sampling procedure. 4. From a population of 1500 units draw 5 units using simple random sampling without replacement method, by explaining the sampling procedure in details. Make use of the following random numbers : 4652 3819 8431 2150 2352 2472 0043 3488 5. Is systematic sampling a fully random sampling? If yes, give justification by explaining the sampling procedure. If no, give reasons for your comments by making reference to the procedure of selection of sampling units under this scheme. 6. What are objectives of stratified random sampling? Explain how those objectives are met in stratified random sampling. 7. Describe Neyman's optimum allocation. If population variances for all the strata are equal what will be the form of optimum allocation? 8. Indicate the advantages of multistage sampling. 9. Is there any sampling design which is uniformly better than all other designs? How do you make the choice of a sampling technique? Short answer type questions : 1. Explain the terms sampling unit, universe and sampling frame by considering a problem of your choice: 2. How is a random number table constructed? 3. Explain the remainder method of drawing samples. When are random number tables used?

89 4. Is quota sampling a stratified random sampling? Give reasons. 5. Cluster sampling is a type of simple random sampling where sampling units are clusters of ultimate units. Do you agree? Justify your answer. 6. Give an example where judgment/purposive sampling can be useful. 7. What is the major disadvantage of non-probability sampling? Objective type questions : Indicate whether the following statements are true or false. 1. Complete enumeration method results in higher non-sampling error. True False 2. Sampling frame is the list of selected units in the sample. True False 3. Haphazard sampling is an unrestricted probability sampling True False 4. Probability sampling is always unrestricted type. True False 5. Effective sample size (number of non-identical sampling units in a sample) in SRSWOR is always greater than or equal to the effective sample size in SRSWR. True False 6. A random number table is an arrangement of digits 0 to 9 in a haphazard manner. True False 7. Stratified random sampling is an unrestricted probability sampling because units are selected randomly from each stratum. True False 90 8. Systematic sampling gives better result if the population units are arranged in a periodic fashion in respect of the character under study. True False 9. Proportional allocation is applicable only when population proportion is to be studied. True False 10. Convenience sampling is a special case of cluster sampling. True False . .

91 Unit - 8 Tabulation and Analysis of Data Structure 8.1. Introduction 8.2. More about data preparation, examination and mining 8.2.1. Data preparation 8.2.2. Data examination 8.2.3. Data mining 8.3. Data Tabulation 8.4. Data analysis 8.5. Summary 8.6. Questions 8.1. Introduction When data starts pouring in, tabulation and analysis of data assume importance. There are some preprocessing needs for undertaking first, tabulation of data and then analysis of data. To make the tabulation work easier the collected data must pass through the stages of data preparation, data examination and data mining. By data preparation we mean editing of data, coding of information for ease of storage and dissemination/ and data entry. The first objective of data preparation is to have a look at the raw data to detect errors, omissions and repetitions and to correct these errors, omissions and repetitions to the extent possible. In this process one can ensure a minimum quality level in the collected raw data and maintain the precision standard aimed at during the stage of analysis. During the stage of analysis it becomes extremely difficult, time consuming and fund consuming to rectify the errors, omissions and repetition. During edition, the editor checks for accuracy, consistency, uniformity and completeness of the raw data so that raw data can be arranged to simplify the coding and tabulation works. The other objective of data preparation is to codify the responses of sampling units or experimental units or respondents so that raw data can be grouped into a limited number of classes for ease of interpretation and conclusive action. Data entry into a computing system follows such a detailed codification work. It converts gathered information to a suitable media so that viewing and manipulation can become easier. Data entry through keyboard is a manual method where a keyboard operator keys in the raw data and save the same under a file name. This data file can then be used by the researcher for his/her own purpose, or by the future researchers. Sometimes, manual methods of data entry can be replaced by mechanical methods of data entry. Optical

92 scanning instruments can sense answers given by darkening one of the alternative small circles, each circle representing one answer. This scanning method reduces the time for data preparation and the extent of error in this processing. Voice recognition system is also capable of recording interviews and can be an alternative to telephone interview. The objective of data examination is to explore, examine and display the data on hand to have greater insight into the problem to guide the analysis if needed. There may be revision in the data analysis approach earlier fixed during the stage of re-search design. Thus, data examination emphasis that research should be problem based and facts-based, and not merely technique -based. The objective of data mining is to discover knowledge from database. The extraction of knowledge depends on identification of unique and useful pattern of information in the data. In this sense, data mining is comparable with traditional mining activities where miners search for ore from the underground. Like mining where one has to sift a large amount of material to locate an extractable patch of ore, in data mining one has to study bulk of data to find out a novel pattern of interest. Since we are talking about a pattern we are having in mind a multidimensional study against the usual marginal analysis of statistical variates. 8.2. More about data preparation, examination and mining 8.2.1. Data preparation The first step in data preparation is editing of data. The purpose of editing, as pointed out earlier, is to ensure that data are accurate, consistent with related information, uniformly entered in the documents/ and complete in all aspects of the study. There are two types of editing of data. One is field editing and the other is central editing. Field editing is to be carried out soon after the collection of raw data from the field. If gaps are found, a call back should, necessarily, be made to bridge the gaps so observed. Guesswork is undesirable as the investigator's bias may creep in, adding to the error in the subsequent analysis and conclusion. If inconsistencies are found, the same should be checked from the repeat visit in place of arbitrarily accepting one of the inconsistent reports. Field editing also involves a routine checking of collected data by the supervisor through actual verification of a prefixed percentage of responses. This re-interview of the respondents, at least on some questions, is aimed at validating the field data. The next stage of editing is known as central editing to have a thorough check for

93 consistency and accuracy. Generally, central editing means editing by a single editor for ensuring maximum consistency. However, for large scale studies one editor may deal with one section only. In that case inconsistencies in answers among different sections cannot be verified. In case such checks are very much needed, the re-researcher may identify the points of possible inconsistency and may entrust one editor to look into such points of inconsistency. In case of inconsistency, one may either decide about the proper answer based on information provided in other sections or contact the respondent for correct information, provided budget of research permits to visit the respondents second time. Once the editing work is over, coding work starts. By coding we mean assigning numeric or alphanumeric codes to symbolically present the response against a data item. There is a chance that a presentation that categorizes responses into limited number of categories may lead to loss of some information. But this loss of information leads to efficient analysis of data. There are four rules that may govern the formation of categories. Formation of categories should be such that these categories will be appropriate for the research problem and the research purpose. By appropriate we mean suitability of the codification system for testing the null hypothesis and for showing the relationships among some variables and/ or among some classes. After appropriateness comes the question of exhaustiveness of the codification system. If the codification system is not exhaustive there is a chance that full range of information cannot be captured. Only a smaller part may get reported due to smaller number of alternative classification codes. Exclusiveness is the next requirement. Exclusiveness means clear categorization of information. For two exclusive codes the respondent can clearly choose his/ her responding code. In this way, for multiple exclusive codes, it becomes easier to identify the correct code of presentation and present both correct and complete information. Lastly, there is always a need to have a common principle for codification of all the items. It is desirable that a codebook be prepared and kept ready for reference purpose. Pre-coding is having added advantages and it is desirable that, to the extent possible, questionnaire should be pre-coded. Data entry will be an easier task and the time taken for data entry will be much less if the questionnaires are pre-coded. However, pre-coding is possible for cases where possible alternative answers can be anticipated. In case of open questions, categorization of answers and hence codification can be undertaken after going through the responses received from the field enquiry.

8.2.2. Data examination It is desirable to discover the important aspects of data and then carry out analysis [94 for final confirmation. This means problems should get higher importance than tools and techniques. There are approaches where data guide the subsequent analysis. These are known as exploratory data analyses. Under such approaches one searches for important evidences, significant clues and hidden directions. There are visual presentations and graphical displays to help the exploratory works. These are more sensitive tools than summary statistics, which mainly present the average behavior in respect of location, dispersion or shape of the underlying distribution. Frequency table is a simple but basic instrument for displaying data. It arranges data from lowest to highest value, either individually or in groups. It describes the frequency of occurrence of those individual values or groups of values so as to indicate their relative importance. Following is an example of frequency table for individual values. It describes accidents in mines per month covering 200 mines. It may be noted that for 70 mines there is no occurrence of accident; for 50 mines there is one accident per month and so on. No. of accidents in a Frequency mine per month

0	70	1	50	2	40	3	25	4	5	5	7	6	3	7	0	Total	200
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To represent such a distribution through graphs one may plot along the horizontal axis the variable values (here, the no. of accidents) and along the vertical axis the frequency values. Such a diagram is known as a column diagram or a frequency bar diagram. If top of the columns are joined by line segment to get a closed polygon the resultant diagram is known as frequency polygon. In case of a continuous random variable (like height, weight etc.) it will be meaningful to develop frequency table against different non-overlapping but exhaustive intervals of values. These intervals are known as class intervals. Generally, class width obtained as

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the difference between the upper class boundary and 95 the lower class boundary

is kept constant across class-intervals. In such a case one may calculate frequency density for each class interval where frequency density = frequency / class width: In place of column diagram one may construct histogram for such continuous cases where along the horizontal axis one marks the class boundaries and along the vertical axis one marks the frequency densities. Then the rectangles are constructed for each class-interval by considering the class width as one side of the rectangle and frequency density as the other side of the rectangle. The area of the rectangle drawn on each class interval will represent the frequency of that class interval. Typical looks of a column diagram and of a histogram are given below. A popular exploratory data analysis technique which is very similar to histogram approach is known as stem-and-leaf diagram. Stem-and-leaf diagram has several unique advantages. For example, there is no loss of information as this diagram presents in column/ row form the actual values of the variable. It presents the distribution of actual values of the variable within the selected exhaustive but non-overlapping intervals. The range of values is clear from a look at the diagram and the exact range value can be realized. If we present row-wise data then each row will represent a stem and each individual datum will represent a leaf. A typical example of a stem-and-leaf diagram is given below based on 20 observations on heights in inches. Stem 58 58 59 59 Stem 60 61 61 63 65 66 66 66 69 Stem 71 71 73 Stem 80 83

96 In case we present the stems along the horizontal axis the resultant look will be similar to column diagram or histogram. Another exploratory, data analysis technique is boxplot technique. It is an extension of five-number summary of data in terms of median, upper quartile, lower quartile, the largest observation and the smallest observation. Unlike mean and standard deviation, which are non-resistant statistical measures, the above mentioned five measures are resistant to change. In the box plot there is a rectangular plot that takes care of 50% of the data values. It has a central line that represents the position of the median and is parallel to the width of the plot. The edges of the plot are known as hinges. From the right and left hinges one has lines drawn up to the maximum and minimum values respectively. These lines are known as whiskers. For example, for the height data presented for the demonstration of stem-and-leaf diagram, the median value is 66. The lower quartile is 60.5 and the upper quartile is 72. The maximum value is 83 and the minimum value is 58. Then the box plot can be drawn as follows : Diagram: Boxplot To determine the outliers one has to draw the inner fence and outer fence along the two sides of the plot. The inner fence is 1.5 times the interquartile range (IQR = upper quartile - lower quartile) added to the upper hinge to get the upper value of the inner fence. To get the lower value of inner fence we have to subtract 1.5 times the IQR value from the lower hinge. The upper value of the outer fence is obtained by adding 3 times the IQR value to the upper hinge and the lower value of the outer fence is obtained by subtracting 3 times the IQR value from the lower hinge. An observed value is said to be outlier if it lies between the inner fence and outer fence in either direction. Observations that lie outside the outer fences are known as extreme or far outside values.

97 Diagram : Boxplot analysis for outliers and for outside values In case one can separate out outliers and for outside values it may be helpful is reducing the error for drawing conclusion about average behavior in the population. However, outliers are unusual observations and are important sources of information. These units may be separately studied for the in-depth analysis and drawing specific conclusions. The box plot can also be used for other purposes. It is easy to conclude from the box plot whether the underlying distribution is nearly symmetric or positively skewed or negatively skewed. It is also a general practice to construct multiple boxplots for multiple groups of observations to make a comparative study among the groups. Equality of the group medians can be studied from the multiple box plots. In this sense boxplots may play a role close to the hypothesis testing. Sometimes there is a need to re-express the data set on a new scale using a single mathematical transformation for each set point. This need arises out of compatibility with other data set or improved interpretation. Sometimes transformations are undertaken to stabilize the variance or to ensure symmetry in the data. Standardization with respect to location and scale is a very common linear transformation used for comparing different sets of scores, determination of normal probability values and making the original data free of the unit of measurement. Non-linear transformations are also being used to stabilize variance of the test statistic. For example, for sample proportion, p , the corresponding transformation for stabilization of variance is $\sin^{-1}(p) - 1/2$, The stabilized variance is $1/(4n)$ where n is the sample size. For a Poisson variate, X , the corresponding transformation is $(X - 1/2)^{1/2}$, the stabilized variance being $(1/4)$. Similarly, transformations for stabilization of variance of sample variance, s^2 , is $\log s^2$ and sample correlation coefficient, r , is $z = \tanh^{-1} r$. A popular non-linear transformation is power transformation. One may use spread-and-level plots to arrive at a reasonable choice of power transformation. In the spread-and-level plot the log of the median is plotted against the log of the interquartile range to find the slope of the plot. The power transformation is x^p where the original variable is x and where $p = 1 - \text{slope}$.

98 8.2.3. Data mining The idea of data mining is similar to mining activities where ores are extracted from the mother earth. In data mining one extracts knowledge from the database to find out the novel and useful patterns of information that may lie hidden in the data set. The evolutionary steps of data mining are Data collection for retrospective static data delivery, Data access for retrospective dynamic data delivery at record level Data navigation for retrospective dynamic data delivery at multiple levels and Data mining for prospective, proactive information delivery. Since data mining discovers or attempts to discover rules and patterns in the data set, the decision-makers get largely benefited from data mining in their process of supporting, reviewing and examining the current business decisions. Data mining is frequently used in management research for pattern discovery and for prediction of trends and behaviors. Under pattern discovery, one may find out retail purchase patterns, extent of fluctuation in sales volume, frauds committed, if any, and error committed, if any, during data entry. Regarding prediction of trends and behaviors, one may employ data mining packages to identify the schemes that are more effective in attracting customers, to determine the population segments in respect of behavioral similarity, to develop risk models for different segmented markets, to discover the significant buying trends and many more specific predictions. There are many data mining techniques available at present. Clustering, data visualization, artificial neural networks, fuzzy models, classification are some important techniques widely used for generation of business knowledge. In complex data mining problems, one may make use of genetic algorithms, fuzzy logic and fractal transforms. Genetic algorithms are useful for optimization through directed search and identification of meaningful interdependencies. Fuzzy logic is an extension of traditional Boolean logic. In the Boolean logic there are only two possibilities: true or false. The fuzzy logic has enlarged the possibility-set by accommodating the concept of partial truth that lies in between the extreme states of truth and false. Fractal transforms are extremely useful in identifying a small group of units of similar characteristic from a very large group of units. It works based on the principle of data compression. Data mining process mostly passes through five steps. The first step is to decide whether the entire data set will be used or a sample part of the data set will be used. For high volume data, or for limited processing power, one may opt for sample data set in place of complete data set. In case it is needed to study the behavioral pattern for every individual record, there is no other way out but to handle the entire data set. Since we decide about sampling of the data set or not, this step of data mining process is known as Sample step.

99 The next step is Explore where sampled data or complete data are visually or numerically studied to identify the group behavior, if any, or behavioral trend of the data. Also the outliers are identified and studied at this stage for a possible cleaning of the data or a possible enlargement of the data. The third step is Modify which means undertaking of data modification based on the ideas generated during the stage of exploration. Data modification may involve data reduction in respect of dimension of the study. Principal Component Analysis is a useful statistical tool for reduction of dimension. Clustering and or fractal transform may be employed for formation of groups or compression of the data. There may be addition or transformation of the data for gaining better insight into the problem. The fourth step is Model where construction of a model is the subject of interest for both describing the data and getting described by the data. The last step of data mining process is Assess wherein the performance of the model is being studied. A general practice is to apply the model on that part of the data, which are not used during the stages of exploration, modification and modeling. In case the entire data are used for the development of the model, the model can be applied on some known data. If the model predicts the actual behavior, which is known in this case, we may claim the model to be a good one.

8.3 Data Tabulation Data tabulation is aimed at presentation of data in a tabular form. In fact, there are various types of presentation. Depending on the way the researcher would like to view the data, the mode of presentation may be decided upon. In case the researcher is interested to know how a particular situation changes over time, he/she is having in mind time-series data or historical data. In case the researcher is interested in region-wise information his/ her way of looking will result in spatial-series data. In both time-series data and spatial-series data, the identity of individual data is important information and should always be kept in record. During the analytical studies, this information should be made use of to provide a critical insight into the data. Since individual data are important, we may club these two types of data under a common name of non-frequency data. There are situations where identify of individual data is not important. The researcher, in these situations, is more interested in the behavior of the group to which those individuals or units, belong. This type of data is known as frequency data because in such a case researcher is more interested to know how frequently a particular phenomenon occurs rather than which unit is having that characteristic. The presentation of data may be textual or tabular. Tabular presentation is more popular because it gives a very compact presentation. There are different parts of a table and these

100 parts, taken together, lead to a complete presentation. A table must have a title to briefly describe the contents of that table. Title should have an identifying number for future reference. Within the structure of the table there should be stub at the extreme left for describing the row characteristics/ and there should be caption in the upper part for describing the various columns of the table. The title, stub and caption jointly constitute the box head of the table. The body of the table is the main part where figures are given as per row-column description. At the end of the table footnotes are included to indicate the data source, the scope and coverage and reliability of particular data-elements. It is desirable that the table should be balanced in number of rows and columns. Too long or too wide tables are not desirable. Arrangements of items of information should be logical and sequential in nature. Though tables are made of numerical information numerical data may not be necessarily available at the start. For some cases we start with numerical data because the character under study is quantitative in nature. For example, heights, weights, incomes of individuals are having quantitative character. Quantitative characters are known as variables. There are characters that, a/e not quantifiable. These are known as qualitative characters, commonly referred as attributes. For example, awareness about a brand is an attribute. There may be two possibilities. Respondent may be aware of it or may not be aware of it. If n respondents are studied we may initially collect n qualitative information. But, when we start counting the number of respondents who are aware of the brand we start generating quantitative information. If number of respondents are aware of the brand, then (n- f) number of respondents will be unaware of the brand. The entire information can be summarized as follows: Table Result of survey on brand awareness State of knowledge Number of respondent Aware f Unaware n - f Total n In case n = 500, f = 375, i.e., out of 500 respondents 375 are aware of one brand, then remaining 125 respondents are unaware of the brand. Thus, in the population estimated proportion of awareness is $p=375/500=0.75$. This is also known as relative frequency.

101 Relative frequency of awareness being 0.75, relative frequency of un-awareness is $(1- 0.75) = 0.25$. It is not a must that for an attribute there will be necessarily two classes. Number of classes may be two or more. If there are k classes with t_i as the frequency of the i-th class, $i = 1, 2, \dots, k$ and n as the total number of respondents, then $n=f_1 + f_2 + \dots + f_k$. Further, relative frequency of the i-th class will be given by (f_i/n) $i = 1, 2, \dots, k$. Tabulation for a quantitative character (i.e., a variable) depends on the nature of the variable values. If the variable takes isolated values we term it as discrete variable. If one variable takes any value within a range of variation it is called a continuous variable. For a discrete variable, if x_1, x_2, \dots, x_k are the variable values then tabulation scheme presents the frequency f_i , with which x_i , appears in the sample of n observations. For a finite number of variable values, say $x_i, i = 1, 2, \dots, k$ /the frequency table will look like the following :

Value of the variable	Frequency	Relative frequency
x_1	f_1	f_1/n
x_2	f_2	f_2/n
\dots	\dots	\dots
x_k	f_k	f_k/n
Total	$n=f_1 + f_2 + \dots + f_k$	1.00

The cumulative frequency of less than type for the i-th class, as obtained from the above table, is given by $F_i = f_1 + f_2 + \dots + f_i, i = 1, 2, \dots, k$. The cumulative frequency of greater than type is given by $S_1 = f_i + f_{i+1} + \dots + f_k, i = 1, 2, \dots, k$. For infinite number of variable values we may allow a reasonable number of classes to exclusively and exhaustively cover all the units and all the variable values, the last class being an open ended one. For example, for the case of number of accidents there cannot be any upper bound on the number. To make a finite presentation, one may consider classes as 0 accident, 1 accident, 2 accidents, 3 accidents and 4 and more accidents. Mostly, when

102 we deal with an attribute or a discrete variable the nature of the data may try to indicate the desirable nature of the class formation. A researcher has to listen to the variation in the data set to arrive at a suitable classification system. In case of a continuous variable, the classification is to a great extent artificial in nature. A researcher has to decide about the classification system within a general framework that classes must be exhaustive and exclusive in nature, the number of classes should neither be large nor small and the class widths should preferably be equal. For a k-class classification if l_i is the lower class limit and u_i is the upper class limit, $i = 1, 2, \dots, k$, then choice of u_i and l_{i+1} should be such that even theoretically no observation can lie between u_i and l_{i+1} , $i = 1, 2, \dots, k - 1$. The class frequency f_i , indicates that there are f_i observations that lie between l_i and u_i , inclusive of l_i and u_i , $i = 1, 2, \dots, k$. However, to retain the continuous character of the data set we introduce the concept of class boundaries in the sense that the lower and upper class boundaries of the i -th class will be $(u_{i-1} + l_i)/2$ and $(u_i + l_{i+1})/2$ respectively, $i = 1, 2, \dots, k$, where u_0 and l_{k+1} are conceptual possible values of two extreme classes. The class mark of the i -th class is given by $(u_i + l_{i+1})/2$, $i = 1, 2, \dots, k$. Further, it is desirable that class widths should be equal, i.e., $u_i - l_{i+1} = u_{i-1} - l_i = C$, a constant for all $i = 1, 2, \dots, k$. Let us explain these concepts using the following table: . Table Frequency table on daily per capita expenditure (in Rs.)

Classes	Frequency
0- 19	14
20 - 39	23
40- 59	27
60 - 79	21
80 - 99	15
Total	100

Consider the class number 3 for which the class limits are 40 and 59. Thus $l_3 = 40$ and $u_3 = 59$. The class boundaries are: lower class boundary of the 3rd Class = $(u_2 + l_3)/2 = (39+40)/2 = 39.5$, upper class boundary of the 3rd class = $(u_3 + l_4)/2 = (59+60)/2 = 59.5$. Here class width is a constant and is equal to $(59.5 - 39.5) = 20$. Further, class mark of the 3-rd class is $(40+59)/2 = 49.5$.

103 The following table presents class boundaries, class marks, frequency, frequency density and cumulative frequency of less than and greater than type for all the 5 classes for the above problem. Table Detailed frequency table on daily per capita expenditure (in Rs.) Quite often, one observes more than one character at the same time for each unit/ individual. The corresponding tabular presentation gives rise to multi-character frequency table. In case of two characters there will be a two-way classification. For two attributes A and B with A occurring in k forms A_1, A_2, \dots, A_k , and B occurring in l forms B_1, B_2, \dots, B_l , the number of occurrences of A_i and B_j in n observations be f_{ij} , $i = 1, 2, \dots, k$, $j = 1, 2, \dots, l$. These give rise to the following bivariate table: Table

104 If we ignore the attribute B then the last column presents the frequency distribution of attribute A. Similarly, if we ignore the attribute A the last row presents the frequency distribution of attribute B. Here $\sum_{j=1}^l f_{ij} = f_{i.}$, $i = 1, 2, \dots, k$, $\sum_{i=1}^k f_{ij} = f_{.j}$, $j = 1, 2, \dots, l$, $\sum_{i=1}^k \sum_{j=1}^l f_{ij} = f$. For two discrete variables X and Y taking values x_1, x_2, \dots, x_k and y_1, y_2, \dots, y_l , respectively the corresponding bivariate frequency table will take the following look: In the above discrete bivariate frequency table f represents the joint frequency of occurrence of x and y in n observations. As usual $\sum_{i,j} f_{ij} = f$ and $f = \sum_{i=1}^k \sum_{j=1}^l f_{ij}$, $i = 1, 2, \dots, k$, $j = 1, 2, \dots, l$ and n is the sum of all the frequencies. i.e. $n = \sum_{i,j} f_{ij}$. For bivariate continuous variables the i -th class with respect to the variable X be denoted by (x_l, x_u) and the j -th class with respect to the variable Y be denoted by (y_l, y_u) . If f_{ij} is the frequency of occurrence of variables belonging to both (x_l, x_u) and (y_l, y_u) classes for X

105 and Y respectively then such a classification will give rise to a bivariate frequency table. The last column gives rise to the frequency distribution of X, also known as marginal distribution of X. The last row gives rise to the frequency distribution of Y, also known as the marginal distribution of Y. 8.4. Data analysis Initial analysis of data is to focus on some basic features of the data. These features describe the data in a general way summarizing the nature of variation in the data set. It has been found that observations vary in such a way that there is a tendency to cluster around a central value. This is known as the central tendency of the data. Mostly, we measure central tendency in terms of an average. The most commonly used average is the arithmetic mean. Other widely used measures are median and mode. Arithmetic mean is obtained by dividing the sum of values of all the observations by the number of observations. If there are k possible values, i -th value being x_i with frequency of occurrence as f_i then the arithmetic mean (AM) is defined as $\bar{x} = \frac{\sum_{i=1}^k x_i f_i}{\sum_{i=1}^k f_i}$. For a frequency table of a continuous variable we may approximate x_i by the class mark of the i -th class. The resultant value will be a close approximate of the sample mean (\bar{x}). Median is the middle most value of the observations when arranged either in ascending

106 or in descending order of magnitude. If the total number of observation, n is odd, then there is a unique median and the value of the median is the $\{(n+1)/2\}$ -th observation of the ordered arrangement. In case n is even, median is the arithmetic mean of the $(n/2)$ -th and $(n/2 + 1)$ -th observations of the ordered arrangement. Mode is the value of the variable having the maximum frequency of occurrence. The extent of variation in a data set is measured in terms of the tendency of deviation from the central value. There are three widely used measures of deviation/ dispersion. These are range, mean deviation and standard deviation. Range is the simplest measure of dispersion, measured in terms of the difference between the highest and lowest observed values. Mean deviation is the arithmetic mean of the absolute deviations of individual observations from any measure of central tendency. If C is any measure of central tendency, the mean deviation (MD) about C is given by $MD_C = \frac{\sum_{i=1}^k |x_i - C| f_i}{\sum_{i=1}^k f_i}$. For a continuous frequency table, x_i is approximated by the class mark of the i -th class. Standard deviation (SD) is the position root mean square deviation about arithmetic mean and is given by the formula; $SD = \sqrt{\frac{\sum_{i=1}^k (x_i - \bar{x})^2 f_i}{\sum_{i=1}^k f_i}}$. The relative measure of dispersion is the ratio of the measure of dispersion and the measure of central tendency. One widely used relative measure of dispersion is the coefficient of variation which is the ratio of the standard deviation and the arithmetic mean. That is, $CV = \frac{SD}{\bar{x}} = \frac{\sqrt{\sum_{i=1}^k (x_i - \bar{x})^2 f_i / \sum_{i=1}^k f_i}}{\bar{x}}$. This is the standard deviation of the normalized observations (x_i/\bar{x}) , $i = 1, 2, \dots, k$, where AM stands for arithmetic mean. The extent of departure of a frequency distribution from its central value is known as

107 skewness of the frequency distribution. For a unimodal distribution the symmetry ensures equality of mean, median and mode values. For a positively skewed distribution mean < median < mode and for a negatively skewed distribution mean > median > mode. Hence, a measure of skewness (SK) is given by $\frac{x - \text{Mode}}{SD}$. Alternatively, $SK = \frac{3(\text{Mean} - \text{Mode})}{SD}$. Skewness can also be measured in terms of central moment of order 3, m_3 , where the central moment of order r is given by $m_r = \frac{1}{n} \sum (x_i - \bar{x})^r$ and the measure of skewness, g_1 , is $g_1 = \frac{m_3}{m_2^{3/2}}$. The other feature of a frequency distribution is the degree of peakedness, also known as kurtosis. A mesokurtic distribution is the one that exhibits moderate peakedness. A leptokurtic distribution is one that exhibits high peakedness. Flatness is the key feature of a platykurtic distribution. Writing m_4 as the central moment of order 4 where $m_4 = \frac{1}{n} \sum (x_i - \bar{x})^4$ we may suggest a measure of kurtosis as $g_2 = \frac{m_4}{m_2^2}$. For a bivariate situation, measures of relationship are of importance and use. Product moment coefficient of correlation measures the degree of correlation between two variables via covariance. If there are n pairs of observations (x_i, y_i) , $i = 1, 2, \dots, n$, on two variables X and Y , then the covariance between X and Y , denoted by $\text{Cov}(X, Y)$ can be measured as follows: $\text{Cov}(X, Y) = \frac{1}{n} \sum (x_i - \bar{x})(y_i - \bar{y})$. The coefficient of correlation between x and y , r_{xy} , is given by $r_{xy} = \frac{\text{Cov}(X, Y)}{SD_X \cdot SD_Y}$ where SD_X and SD_Y are the respective standard deviation of X and Y . The value of r_{xy} lies between 1 and -1. If correlation coefficient is either 1 or -1 variables X and Y are linearly related with positive slope in case of 1 and negative slope in case of -1. If correlation coefficient is close to either 1 or -1 we have reasons to believe that variables X and Y are almost linearly related with positive slope in case of 1 and negative slope in case of -1. Zero value for r_{xy} means lack of correlation but not necessarily independence. In case x and y are measured on ordinal scale one may use ranks in place of ordinal values. The resultant measure of correlation coefficient is known as rank correlation coefficient. The formula simplifies to $r_{rs} = \frac{1}{n} \sum d_i^2$ where d_i is the difference between the ranks of the i -th individual in respect of the two variables/attribute, and n is the number of pairs of observations. In case the correlation coefficient has a high absolute value one may make use of the linear relationship to predict one variable based on the knowledge on the other variable. For example, variable y may be predicted by $Y = a + bx$ based on the knowledge on x , prediction equation being $Y = a + bx$. To estimate a and b one may take the help of n pairs of observations (x_i, y_i) , $i = 1, 2, \dots, n$, on x and y and employ the least square method to choose a and b in such a way that $\sum (y_i - a - bx_i)^2$ is minimized. Differentiation of S with respect to a and b gives rise to least squares normal equations for the determination of a and b . These equations are given below: $\sum y_i = na + b \sum x_i$ and $\sum x_i y_i = a \sum x_i + b \sum x_i^2$. Solving these equations we get solutions \hat{a} and \hat{b} for a and b as $\hat{a} = \frac{\sum y_i - b \sum x_i}{n}$ and $\hat{b} = \frac{\sum x_i y_i - \frac{(\sum x_i)(\sum y_i)}{n}}{\sum x_i^2 - \frac{(\sum x_i)^2}{n}}$.

109 In case of attributes A and B we examine the extent of association in terms of Pearson's coefficient of contingency, C_{AB} , where $C_{AB} = \sqrt{\frac{\chi^2}{\chi^2 + n}}$ with $\chi^2 = \sum \frac{(f_{ij} - f_{i.} f_{.j} / n)^2}{f_{i.} f_{.j} / n}$. Since the upper bound of C_{AB} is less than 1, one may consider Tschuprow's measures of association given by $T_{AB} = \sqrt{\frac{\chi^2}{n(k-1)(l-1)}}$ where k is the number of forms of attribute A and l is the same for attribute B .

8.5. Summary

Tabulation and analysis works follow the stage of data collection. To make the tabulation work easier the collected data must pass through the stages of data preparation, data examination and data mining. Data preparation involves editing of data to ensure accuracy, consistency and completeness. Data editing may be carried out in the field and is known as field editing. After field editing one undertakes central editing to have a thorough check preferably by a single editor. After the editing work, starts the work of codification to categorize the data for efficient analysis. Codification should be done in such a way that appropriateness, exhaustiveness, exclusiveness and uniformity in principle are adhered to. Data examination aims at discovering important aspects of data. It identifies the problem and attaches higher importance to problem than tools and techniques to be used for analysis. To examine the data one may take the help of visual presentation and graphical displays. Frequency table is a simple but 'basic instrument for displaying data, common types of diagrams are column or frequency bar diagram and histogram. A popular exploratory analytical technique is stem-and-leaf diagram where each row of the row-wise presented data represents a stem and each individual data represents a leaf. Another important exploratory technique is boxplot technique. It can identify the outliers and extreme observations/for outside values. Sometimes there is a need to re-express the data set in terms of some mathematic transformations. Transformation may be of use to ensure compatibility with other data sets to improve interpretation and to stabilize variance. A popular non-linear transformation is power transformation. One may take the help of spread-and-level plot to identify the power of the transformation.

110 Data mining is to extract knowledge from the database. The evolutionary steps of data mining are data collection, data access and data navigation. It is widely used for pattern discovery and for prediction of trends and behaviors. Sample, explore, modify, model and assess are the five stages through which the data mining process passes through. Data tabulation is aimed at presentation of data in tabular form. Mode of presentation depends on the way researcher would like to view the data. There are time series data and spatial series data, frequency data and no-frequency data. In tabular presentation, i.e. presentation in the form of tables, tables must be of balanced number of rows and columns with clear description of the subject of interest, rows and columns. Tabulation method depends on the nature of character under study. A character may be an attribute or a variable, A variable may be discrete or continuous. Formation of class depends on the nature of the character. Data analysis at the initial stage involves calculation of measures to summarize the data set. There are features of interest like central tendency, dispersion, skewness and kurtosis. For each feature alternative measures are available. A researcher has to make a choice from among different alternatives. In case of a multi-character study a measure of relationship assumes importance. For a bivariate set up, for interval data or ratio data one may calculate correlation coefficient and for attributes one may use Pearson's co-efficient of contingency or Tschuprow's measure of association. Regression analysis is also of use for predicting one variable, from the knowledge of the other variable in case the correlation coefficient is close to + 1 or -1.

8.6. Questions Long answer type

1. What do you mean by data preparation? Explain the concept of editing of data indicating the need for the same.
2. Describe the four rules of data categorization.
3. Indicate how boxplot technique can be used for data examination.
4. Describe a few graphical techniques for examining data.
5. What is a spread-and-level plot? Suggest a few transformations for stabilization of variance.
6. Enlist the evolutionary steps of data mining, briefly explaining each one of them.
7. Indicate the need for data mining and describe some techniques available for this purpose.

111 8. Describe the five stages of data mining process.

9. What do you mean by tabular presentation of data? Describe the main features of a table.

10. Enlist the basic features of the data, a researcher is commonly interested to measure. Suggest a suitable measure for each of the enlisted features.

Short answer type questions.

1. Explain stem-and-leaf diagram.
2. What is interquartile range? How is it used in boxplot technique?
3. Give one example each for, time series data and spatial series data explaining their importance.
4. Explain the classification system for a continuous data set.
5. Calculate arithmetic mean, standard deviation, g , and g , values for the data set, given in the text, on daily per capita expenditure (8.4).
6. Refer to accident data in section 8.2.2. Find out the mean, median and mode values. Also calculate range and mean deviation about median.
7. Using the following data set on sales and expenditure on advertisements calculate the correlation coefficient (figures given in Rs. 00)

Sales	Expenditure on Ad.
340	45
482	48
460	50
450	46
480	50
500	49
520	62
495	47
470	47
500	48

8. Using the Sales and expenditure on advertisement data as given in problem 7 determine the regression equation for predicting Sales (y) from expenditure on advertisement (x).

9. Rank the data set of problem 7 and calculate rank correlation coefficient.

10. Compute a measure of association for the following data.

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Male	Female	Total	TB of respiratory system	354	176	530	other forms of TB	140	130	270	Total	494	306	800

Objective type questions Indicate whether the following statements are true or false.

1. By data preparation we mean editing of data, coding of information and data entry. True False
2. Field editing is also known as central editing. True False
3. Categorization of data into listed number of categories may lead to loss of some information. True False
4. If codification system is not exhaustive full range of information cannot be captured. True False
5. Code book is kept ready for reference purpose. True False
6. Column diagrams an improvement over frequency bar diagram. True False
7. Stem-and-leaf diagram is a technique for detection of outliers True False
8. In boxplot, edges of the plot are known as whiskers. True False

113 9. Inner fence is 1.5 IQR away from upper hinge. True False

10. Far outside values are known as outliers. True False

11. Spread-and-level plot is used for variance stabilization. True False

12. Data mining mostly passes through five steps. True False

14. Range is a measure of central tendency True False

15. For a negatively skewed distribution mean $>$; median $>$; mode. True False

114 Unit - 9 p DI Estimation and testing. of hypothesis Structure

9.1. Introduction

9.2. Estimation for finite population

9.2.1. Estimation of population mean under SRSWOR

9.2.2. Estimation of population mean under SRSWR

9.2.3. Estimation of population mean under systematic random sampling

9.2.4. Estimation of population mean under stratified random sampling

9.2.5. Estimation of population mean under multistage sampling

9.3. Estimation for infinite population

9.3.1. Linear estimator

9.3.2. Minimum variance unbiased estimator

9.3.3. Methods of estimation

9.4. Testing of hypothesis of parametric type

9.4.1. Small sample tests under normal setup

9.4.2. Two-population small sample tests under normal set up

9.4.3. Some large sample tests

9.5 Nonparametric tests

9.6 Summary

9.7 Questions

9.1. Introduction The basic objective of data collection and subsequent data processing is to estimate or test for the population characteristics of research importance. For example, we may be interested to know the per person per day average consumption of milk in the state of West Bengal. For this, we may draw a random sample of 100 persons to enquire about their per day consumption of milk covering the state of West Bengal. Average per day consumption of milk can then be calculated and the resultant value may be proposed as an estimate of the per person per day average consumption of milk in the state of West Bengal. The need for model building is also experienced by the practitioners to describe the future behaviour of individuals/ units/markets. If a model is described by a mathematical form it involves parameters which are situation-dependent. These parameters must be

115 determined to make use of the model. Such determinations based on sample information are known as estimation of parameters. Thus, two types of estimation we need to address. The first type of estimation is for finite population characteristics using sample observations gathered through probabilistic procedure. The second type of estimation is for infinite population described through probability models and for which random sample observations are available. In case there is a conjecture or hypothesis available with the investigator that hypothesis may be tested in the, light of the given observations. If a probability model is given along with random sample observations the hypothesis to be tested is expressed in terms of the parameters involved with the model. This type of testing of hypothesis is known as parametric testing. Parametric tests may be carried out based on small sample exact tests or large sample approximate tests. In case the underlying probability model is not specified, one adopts non-parametric test.

9.2. Estimation for finite population

9.2.1. Estimation of population mean under SRSWOR Let the population be denoted by $U = (U_1, U_2, \dots, U_N)$ with value of the characteristic X as X_i for the i -th unit U_i . In other words, $X_i = X(U_i)$, the value of X for U_i . Then the population mean is given by $\bar{X} = \frac{1}{N} \sum_{i=1}^N X_i$. Let the population variance be denoted by S^2 where $S^2 = \frac{1}{N} \sum_{i=1}^N (X_i - \bar{X})^2$. Consider $s = (U_{i_1}, U_{i_2}, \dots, U_{i_n})$, a simple random sample drawn without replacement from U . The sample size is n and $(i_1, i_2, \dots, i_n) \subseteq \{1, 2, \dots, N\}$ with $i_j \neq i_k$, for $j \neq k$. Then the sample mean \bar{x} is given by $\bar{x} = \frac{1}{n} \sum_{j=1}^n x_j$. To estimate \bar{X} we may use \bar{x} and it is easy to note that \bar{x} is an unbiased estimator of \bar{X} in the sense expectation of \bar{x} is \bar{X} , i.e. $E(\bar{x}) = \bar{X}$. The corresponding standard error (SE) is the positive root of the variance of \bar{x} .

116 Thus, $SE(\bar{x}) = \sqrt{\text{var}(\bar{x})}$ can be shown that $SE(\bar{x}) = \frac{S}{\sqrt{n}} \sqrt{1 - \frac{n}{N}}$. Population proportion may be considered as a special case of population mean where the character X is so selected that it takes the value 1 when a particular attribute is present with the population unit and value 0 when that particular attribute is not present with the population unit. In that case \bar{X} can be viewed as P , the population proportion, \bar{x} can be viewed as p , the sample proportion. Since \bar{x} is an unbiased estimator of \bar{X} , in particular, p is an unbiased estimator of P . The corresponding standard error can be simplified to $SE(p) = \sqrt{P(1-P) \frac{1}{n} (1 - \frac{n}{N})}$. To estimate the standard error we consider the sample variance s^2 where, $s^2 = \frac{1}{n} \sum_{j=1}^n (x_j - \bar{x})^2$. It is known that s^2 is an unbiased estimator of S^2 in the sense expectation of s^2 is S^2 . Then the unbiased estimator of $\text{Var}(\bar{x})$ will be $\frac{s^2}{n} (1 - \frac{n}{N})$ with an estimator of $SE(\bar{x})$ as $\frac{s}{\sqrt{n}} \sqrt{1 - \frac{n}{N}}$.

9.2.2. Estimation of population mean under SRSWR In case of simple random sampling with replacement, the population behaviour will be similar to an infinite population. The sample mean, \bar{x} , will remain an unbiased estimator of the population mean, \bar{X} , with

117 $\text{Var}(\bar{x}) = \frac{\sigma^2}{n}$ where $\sigma^2 = \frac{1}{N} \sum_{i=1}^N (X_i - \bar{X})^2$.

9.2.3. Estimation of population mean under systematic random sampling Let the population size N be an integer, multiple of the sample size n . Thus, let $N = nk$. Then the population can be subdivided into k possible samples each of size n . Let the r -th block be denoted by $U_r, U_{k+r}, \dots, U_{(n-1)k+r}$ with corresponding mean value as \bar{X}_r . In that case $\bar{X}_1, \bar{X}_2, \dots, \bar{X}_k$ are the k possible estimates of the population mean \bar{X} and in case the r -th block is selected the estimator of \bar{X} is \bar{X}_r . The variance of such an estimator is given by $\text{Var}(\text{sys}) = \frac{1}{k} \sum_{r=1}^k (\bar{X}_r - \bar{X})^2$ with SE given by $SE = \sqrt{\frac{1}{k} \sum_{r=1}^k (\bar{X}_r - \bar{X})^2}$.

9.2.4. Estimation of population mean under stratified random sampling Let the population be made of k strata with \bar{X}_i as the i -th in stratum mean and S_i^2 as the i -th stratum variance. Then, the overall population mean \bar{X} is given by $\bar{X} = \frac{1}{N} \sum_{i=1}^k N_i \bar{X}_i$ where N_i is the size of the i -th stratum and N is the total population size. Then the unbiased estimator of the i -th stratum mean \bar{X}_i will be the corresponding sample mean, \bar{x}_i , based on a simple random sample of size n_i drawn without replacement from the i -th strata. Combining these sample means with weights equal to (N_i/N) for the i -th strata we get the unbiased estimator of \bar{X} as

118 $\bar{x} = \sum_{i=1}^k \frac{N_i}{N} \bar{x}_i$. The variance of \bar{x} is $\text{Var}(\bar{x}) = \sum_{i=1}^k \frac{N_i^2}{N^2} \frac{S_i^2}{n_i} (1 - \frac{n_i}{N_i})$. With 2 S_i^2 as

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the sample variance of the i -th the stratum which is an unbiased estimator of the population variance 2

S_i^2 of the i -th stratum; we have an unbiased estimator of $\text{var} \bar{x}$ given by $\sum_{i=1}^k \frac{N_i^2}{N^2} \frac{S_i^2}{n_i} (1 - \frac{n_i}{N_i})$.

9.2.5. Estimation of population mean under multistage sampling

1c. Consider, for simplicity, two stage sampling with M first stage units and N_i second stage units for the i -th first stage unit, $i = 1, 2, \dots, M$. Writing \bar{X}_i as the mean of the i -th second stage units, the grand mean \bar{X} will be $\bar{X} = \frac{1}{M} \sum_{i=1}^M \bar{X}_i$. Writing \bar{x}_i as the sample mean of the second stage units based on n_i second stage units drawn out of N_i second stage units, $i = 1, 2, \dots, m$ where m is the number of first stage units selected out of M first stage units, we have $\bar{x} = \frac{1}{m} \sum_{i=1}^m \bar{x}_i$ as an unbiased estimator of the grand mean \bar{X} .

119 9.3. Estimation for infinite population 9.3.1. Linear estimator Let us describe the infinite population in terms of a random variable X . Let the expectation of X be μ and the variance of X be σ^2 . The problem of interest is to estimate μ based on random sample observations X_1, X_2, \dots, X_n drawn from X . This means X_1, X_2, \dots, X_n are random replicas of X . Let us restrict ourselves to linear estimators based on X_1, \dots, X_n . Let a typical linear estimator T for μ be denoted by $T = a + b_1 X_1 + b_2 X_2 + \dots + b_n X_n$. For T to be unbiased for μ we need to ensure $E(T) = \mu$. But $E(T) = a + b_1 \mu + b_2 \mu + \dots + b_n \mu = a + (b_1 + b_2 + \dots + b_n)\mu$. Hence a must be zero and $(b_1 + b_2 + \dots + b_n)$ must be equal to 1. Thus, $T = b_1 X_1 + b_2 X_2 + \dots + b_n X_n$ such that $1 = b_1 + b_2 + \dots + b_n$. For such an estimator T of μ the variance of T will be $\text{Var}(T) = b_1^2 \sigma^2 + b_2^2 \sigma^2 + \dots + b_n^2 \sigma^2 = \sigma^2 (b_1^2 + b_2^2 + \dots + b_n^2)$. Since $\text{Var}(T)$ measures the error in estimation we need, to minimize $\text{var}(T)$. In other words, we need to minimize $b_1^2 + b_2^2 + \dots + b_n^2$ subject to the Condition $b_1 + b_2 + \dots + b_n = 1$. Using Lagrange multiplier method we construct a function L where $L(b_1, b_2, \dots, b_n, \lambda) = b_1^2 + b_2^2 + \dots + b_n^2 - \lambda(b_1 + b_2 + \dots + b_n - 1)$. Differentiating $L(\cdot)$ with respect to (b_1, b_2, \dots, b_n) and equating each to zero we get the choice of b_1, b_2, \dots, b_n . But $\frac{\partial L}{\partial b_i} = 2b_i - \lambda = 0, i = 1, 2, \dots, n$. $b_i = \lambda/2$. But their sum is 1. Hence each b_i is of value $1/n$. Putting this Optimum choice of b_i in the expression of T we get the Best Linear Unbiased Estimator (BLUE) as $T = \frac{1}{n}(X_1 + X_2 + \dots + X_n)$.

9.3.2. Minimum variance unbiased estimator Let us examine

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the suitability of the sample mean as an estimator of the population mean

when some additional information is given. This additional information will be in terms of the population distribution described through probability mass function (pmf) for a discrete case or through probability density function (pdf) for a continuous case. X follows Poisson distribution. Let the pmf of X be denoted by $x p(x) = \frac{e^{-\lambda} \lambda^x}{x!}, x = 0, 1, \dots, \infty$. The parameter λ is the mean of the Poisson distribution. It may be proved that sample mean \bar{X} is not only an unbiased estimator of λ , it is the minimum variance unbiased estimator (MVUE) of λ in the sense that among all unbiased estimators of λ has the minimum variance. This is a stronger property than BLUE as there is no restriction of linearity on the proposed estimator. X follows Normal distribution. Let the pdf of X be denoted by $f(x) = \frac{1}{\sigma \sqrt{2\pi}} e^{-\frac{(x-\mu)^2}{2\sigma^2}}$. The parameters of this distribution are μ and σ , μ denotes the population mean and σ denotes the variance. Here again, sample mean \bar{X} is not only an unbiased estimator of μ but also the MVUE of μ for all choices of μ . X follows exponential distribution. Let the pdf of X be denoted by $f(x) = \mu e^{-\mu x}, x > 0, \mu > 0$.

121 The parameter μ is the population mean. The sample mean \bar{X} is the MVUE of μ for all choices of μ .

9.3.3. Methods of estimation Given the random sample observations X_1, X_2, \dots, X_n from a population described by the probability function (pdf or pmf) $f(x)$ where θ is the parameter of the distribution. One can estimate θ by various methods. The most popular method is the maximum likelihood method where the likelihood function $L(\theta) = \prod_{i=1}^n f(x_i; \theta)$ is maximized with respect to θ . Let this optimum choice of θ be denoted by $\hat{\theta}$. Then $\hat{\theta}$ will be referred as the maximum likelihood estimator (mle) of θ . For a function $g(\theta)$, the mle of $g(\theta)$ is $g(\hat{\theta})$. Let us consider the case of normal distribution. $\hat{\theta}$ will be a vector in this case, made of μ and σ^2 , with $f(x) = \frac{1}{\sigma \sqrt{2\pi}} e^{-\frac{(x-\mu)^2}{2\sigma^2}}$. The likelihood function will be $L(\mu, \sigma^2) = \prod_{i=1}^n \frac{1}{\sigma \sqrt{2\pi}} e^{-\frac{(x_i-\mu)^2}{2\sigma^2}} = \frac{1}{\sigma^n (2\pi)^{n/2}} e^{-\frac{1}{2\sigma^2} \sum_{i=1}^n (x_i-\mu)^2}$. Taking logarithm, a monotonic transformation, $\log L(\mu, \sigma^2) = -n \log \sigma - \frac{1}{2\sigma^2} \sum_{i=1}^n (x_i-\mu)^2 - \frac{n}{2} \log(2\pi)$. In place of maximizing $L(\cdot)$ we may maximize $\log L(\cdot)$. Differentiating with respect to μ we get $\frac{\partial \log L}{\partial \mu} = \frac{1}{\sigma^2} \sum_{i=1}^n (x_i - \mu) = 0$. The above expression when equated to zero gives $\mu = \bar{x}$. Differentiating $\log L(\cdot)$ with respect to σ^2 we get $\frac{\partial \log L}{\partial \sigma^2} = -\frac{n}{2\sigma^2} + \frac{1}{2\sigma^4} \sum_{i=1}^n (x_i - \mu)^2 = 0$. The above expression when equated to zero gives rise to $\sigma^2 = \frac{1}{n} \sum_{i=1}^n (x_i - \bar{x})^2$. Thus, the mle of μ is \bar{X} and the mle of σ^2 is $\frac{1}{n} \sum_{i=1}^n (X_i - \bar{X})^2$. MLEs are consistent estimators which are not necessarily unbiased. Here, \bar{X} is an unbiased estimator of μ but $\frac{1}{n} \sum_{i=1}^n (X_i - \bar{X})^2$ is a biased estimator of σ^2 . These estimators are asymptotically efficient and normally distributed. Method of moments is an important method of estimation. It equates sample moments with the population moments to create a set of estimating equations. For example, in the normal case we consider the first two population moments as μ and σ^2 . We equate these moments with that of sample moments, i.e., sample mean and sample variance. These result in $\hat{\mu} = \bar{X}$ and $\hat{\sigma}^2 = \frac{1}{n} \sum_{i=1}^n (X_i - \bar{X})^2$. Estimators obtained by method of moments are consistent estimators. \bar{X} is

123 9.4. Testing of hypothesis of parametric type A hypothesis is a statement of belief to be tested in the light of the given data. The hypothesis to be tested is called null hypothesis. The purpose of testing is to see its tenability. This means there must be an alternative hypothesis too. The statistical testing procedure in its general form can be presented as a procedure of dividing the sample space into two non-overlapping and exhaustive parts, say ω and W . The sample space is the collection of all possible observations of size n , say $X = (X_1, X_2, \dots, X_n)$ is a point of the n -dimensional real space, denoted by R^n . Thus $X \in R^n$. Our objective is to divide R^n into two spaces ω and W so that $\omega \cap W = \emptyset$ and $\omega \cup W = R^n$. If X falls in the region ω we reject the null hypothesis (H_0) and if X falls in the region W , we accept the null hypothesis. When we reject H_0 we favour the alternative hypothesis (H_a). We refer as the critical region or rejection region and W as the acceptance region. While drawing inference on tenability of H_0 in the above mentioned fashion, we commit two types of error. Sometimes we may reject the H_0 when it is actually true and we take a wrong decision. This error is known as type I error. On other occasion, we may accept the H_0 when it is not true. This error is known as type II error. In a tabular form we may present the four possible situations that may arise out of the true state of the H_0 and decisions taken on its tenability.

Decision	Accept H_0	Reject H_0
Actual State ($X \in \omega$)	Ho is true correct decision	Type I error
Actual State ($X \in W$)	Type II error	correct decision

Since errors are involved in this statistical testing procedure and are unavoidable because of sample information in place of complete information, the testing procedure fixes the maximum probability of type I error at some 1000. % level. Choice of α , as a matter of convention, is 0.05 or 0.10, or 0.01. The α is known as the level of significance of the test. It is also referred to the size of the critical region. The power of the test is determined by $\{1 - \text{Pr. (Type II error)}\}$ and the objective of the decision maker is to maximize the power subject to size restriction or a few other restrictions. $X \in$

124 9.4.1. Small sample tests under normal setup Let us consider X_1, X_2, \dots, X_n as n random sample observations from a normal population denoted by $N(\sigma, \mu)$ with pdf $f(x) = \frac{1}{\sigma} \pi^{-1/2} e^{-\frac{1}{2\sigma^2}(x-\mu)^2}$. Our objective will be to test for location μ and for dispersion σ^2 under various parametric situations. Test for location when dispersion is known. In this situation we need to test $H_0: \mu = \mu_0$ against different alternative hypotheses. The test statistic is $Z = \frac{\bar{X} - \mu_0}{\sigma/\sqrt{n}}$ where \bar{X} is the sample mean. Under H_0 , Z follows the standard normal distribution $N(0, 1)$. Decision rules for different alternative hypotheses are described below at $100\alpha\%$ level of significance with Z_α , denoting the upper $100\alpha\%$ point of the normal deviate. For $\alpha = 0.05$, $Z_{0.05} = 1.96$, $Z_{0.01} = 2.33$. Test for location when dispersion is unknown. Here $H_0: \mu = \mu_0$. The test statistic is given by $t = \frac{\bar{X} - \mu_0}{s/\sqrt{n}}$ where s is an estimator of the unknown σ value with the expression for s given by $s^2 = \frac{1}{n-1} \sum_{i=1}^n (X_i - \bar{X})^2$. Under H_0 , t follows student's t -distribution with degrees of freedom $(n-1)$. Decision rules for different alternative hypotheses are described below at $100\alpha\%$ level of significance with $t_{\alpha, n-1}$ denoting the upper $100\alpha\%$ point of the distribution with degrees of freedom $(n-1)$.

125 Test for dispersion: Here $H_0: \sigma = \sigma_0$, where σ_0 is a specified value of σ . The test statistic is $\chi^2 = \frac{(n-1)s^2}{\sigma_0^2}$. The distribution of this statistic under H_0 is a chi-square distribution with degrees of freedom $(n-1)$. The decision rules under different alternative hypotheses are given below with $\chi^2_{\alpha, n-1}$ represents the upper $100\alpha\%$ point of the chi-square distribution with $(n-1)$ degrees of freedom. In case $\mu = \mu_0$ is known, the test statistic will be $\chi^2 = \frac{(n-1)s^2}{\sigma_0^2}$. The decision rule will be same except for a change in degrees freedom as n in place of $(n-1)$.

9.4.2. Two-population small sample tests under normal set up Let us consider two normal populations X_1 and X_2 , X_1 following $N(\mu_1, \sigma_1^2)$ and X_2 , following $N(\mu_2, \sigma_2^2)$. Based on n_1 , random sample observations $X_{11}, X_{12}, \dots, X_{1n_1}$ let us calculate sample mean \bar{X}_1 and sample variance s_1^2 , where

$\bar{X}_1 = \frac{1}{n_1} \sum_{i=1}^{n_1} X_{1i}$, $s_1^2 = \frac{1}{n_1-1} \sum_{i=1}^{n_1} (X_{1i} - \bar{X}_1)^2$. Similarly, based on n_2 , random sample observations $X_{21}, X_{22}, \dots, X_{2n_2}$ let us calculate sample mean \bar{X}_2 and sample variance s_2^2 , where $\bar{X}_2 = \frac{1}{n_2} \sum_{i=1}^{n_2} X_{2i}$, $s_2^2 = \frac{1}{n_2-1} \sum_{i=1}^{n_2} (X_{2i} - \bar{X}_2)^2$.

Test for equality of two locations when dispersions are unknown. Let the null hypothesis to be tested be $H_0: \mu_1 = \mu_2$ where σ_1 and σ_2 are known. The test statistic is $Z = \frac{\bar{X}_1 - \bar{X}_2 - (\mu_1 - \mu_2)}{\sqrt{\frac{\sigma_1^2}{n_1} + \frac{\sigma_2^2}{n_2}}}$. Under H_0 , Z follows the standard normal distribution $N(0, 1)$. The decision rules under different alternative hypotheses are described below for $100\alpha\%$ level of significance; e.g. Test for equality of two locations when dispersions are unknown but equal. As in the previous case H_0 to be tested is $H_0: \mu_1 = \mu_2$. The statistic is $t = \frac{\bar{X}_1 - \bar{X}_2 - (\mu_1 - \mu_2)}{s_p \sqrt{\frac{1}{n_1} + \frac{1}{n_2}}}$ where $s_p^2 = \frac{(n_1-1)s_1^2 + (n_2-1)s_2^2}{n_1+n_2-2}$. This test statistic follows students' t -distribution with degrees of freedom $(n_1 + n_2 - 2)$ under H_0 . The decision rules are given below for different alternative hypotheses with $100\alpha\%$ level of significance.

127 In case dispersions σ_1^2 and σ_2^2 are unknown but unequal, we may truncate two-sets of observations to minimum of n_1 and n_2 . Consider the difference of observations in a given order and carry out test similar to single population test for location. Paired t test. In case in the problem of testing for equality of locations, the populations are interdependent we have pair-wise observations $(X_1, X_2), (X_2, X_1), \dots, (X_n, X_{n+1})$. In such a case, writing $d_i = X_{1i} - X_{2i}$, $i=1, 2, \dots, n$, we construct a new random variable d following normal distribution $N(u, \sigma^2)$. The corresponding n random sample observations will be given by d_1, d_2, \dots, d_n . The problem of testing $H_0: \mu_1 = \mu_2$ can be expressed in terms of expectation of d as $H_0: E(d) = 0$. The test statistic is $t = \frac{\bar{d} - \mu_d}{s_d/\sqrt{n}}$ which will follow the distribution with degrees of freedom $(n-1)$ under H_0 . The decision rules under different alternative hypotheses are given below at $100\alpha\%$ level of significance. Test for equality of dispersion. We need to test for $\sigma_1^2 = \sigma_2^2$. The test statistic is $F = \frac{s_1^2}{s_2^2}$ which follows the F distribution under H_0 with degrees of freedom $(n_1 - 1)$ and $(n_2 - 1)$ respectively. The decision rules for the alternative hypotheses of interest are described below at $100\alpha\%$ level of significance.

128 Here $F_{\alpha, n_1 - 1, n_2 - 1}$ is the upper 100 α % point of F distribution with d.f. $(n_1 - 1)$ and $(n_2 - 1)$. Test for independence. In the bivariate normal set up lack of correlation is equivalent to independence and hence a test for independence may be carried out by testing the null hypothesis $H_0 : \rho = 0$ where ρ is the population correlation coefficient. Random sample observations $(X_1, X_2), (X_2, X_1), \dots, (X_n, X_n)$ from the bivariate normal population can be utilized to calculate the sample correlation coefficient, r , where $r = \frac{\sum_{i=1}^n (X_i - \bar{X})(Y_i - \bar{Y})}{\sqrt{\sum_{i=1}^n (X_i - \bar{X})^2 \sum_{i=1}^n (Y_i - \bar{Y})^2}}$. The test statistic is $t = \frac{r\sqrt{n-2}}{\sqrt{1-r^2}}$ which follows the t distribution under H_0 with degrees of freedom $(n-2)$. Since we are interested in testing for independence, the alternative hypothesis will deal with presence of dependence. Thus, $H_a : \rho \neq 0$. The decision rule will be to reject H_0 in favour of H_a if $|t_{\text{observed}}| > t_{\alpha/2, n-2}$.

9.4.3. Some large sample tests The small sample tests covered so far are based on normal set up. Quite often we come across with situations where the set up is non-normal. Most of these problems can be handled through large sample normal approximation. It has been noted under the celebrated central-limit-theorem that if X_1, X_2, \dots, X_n are n random sample of observations from any population. with mean μ and finite variance σ^2 then $\frac{\sum_{i=1}^n X_i - n\mu}{\sqrt{n\sigma^2}}$ follows asymptotically normal distribution in the sense that the cumulative distribution function of T can be approximated by the cumulative distribution function of a standard normal distribution when $n \rightarrow \infty$. We write $T \rightarrow AN(0, 1)$. We shall make use of this result for suggesting large sample test for testing hypothesis related to non-normal populations mainly.

Large sample Test for proportion: Let the random variable X follow binomial distribution with pmf. $P(X=x) = \binom{n}{x} p^x (1-p)^{n-x}$ and we need to test $H_0 : P = P_0$. Viewing P as the mean of (X/n) we consider the sample proportion $\hat{P} = X/n$ as the sample mean. For large n, $\hat{P} \sim N(P, P(1-P)/n)$ follows asymptotically normal distribution $N(0, 1)$, under H_0 . Hence the large sample decision rules for different alternative hypotheses can be developed along the following lines for 100 α % level of significance.

Large Sample Test for equality of two proportions: For two independent binomial populations denoted by pmfs $P_1(x) = \binom{n_1}{x} p_1^x (1-p_1)^{n_1-x}$ and $P_2(x) = \binom{n_2}{x} p_2^x (1-p_2)^{n_2-x}$ the population proportions are P_1 and P_2 and sample proportions are $\hat{P}_1 = X_1/n_1$ and $\hat{P}_2 = X_2/n_2$. The null hypothesis to be tested is $H_0 : P_1 = P_2$. Writing $\hat{P} = (X_1 + X_2)/(n_1 + n_2)$ the pooled estimator of population proportion when $P_1 = P_2$. We may suggest the test statistic as $T = \frac{\hat{P}_1 - \hat{P}_2}{\sqrt{\hat{P}(1-\hat{P})(\frac{1}{n_1} + \frac{1}{n_2})}}$ which follows asymptotically normal distribution $N(0, 1)$ under H_0 . The decision rules for different alternative hypotheses are given below for 100 α % level of significance.

Large sample test for Poisson mean. Let X_1, X_2, \dots, X_n be n random sample observations from a Poisson distribution with pmf. $x p(x) = e^{-\lambda} \frac{\lambda^x}{x!}$. To test for $H_0 : \lambda = \lambda_0$ we consider the sample mean \bar{X} and its asymptotic distribution. The test statistic is $T = \frac{\bar{X} - \lambda_0}{\sqrt{\lambda_0/n}}$ which follows asymptotically normal distribution $N(0,1)$ under H_0 . Then the decision rules for different alternative hypotheses will be as follows for 100 α % level of significance.

Large sample test for correlation, let ρ be the population correlation coefficient and let r be the sample correlation coefficient obtained from a pair-wise data of size n. Then, to test $H_0 : \rho = \rho_0$ we consider the following statistic. $T = \frac{r - \rho_0}{\sqrt{(1-\rho_0^2)(1-r^2)/n}}$ The asymptotic distribution of which is $N(0, 1)$ under H_0 . The decision rules for different alternative hypotheses are described below for level of significance equal to α . A few other large sample tests. As may be noted from the earlier discussions that the decision rule is very similar in nature for all the suggested large sample tests. For the sake of brevity, we present below a few statistics which may be of use for large sample tests.

- To test for means, μ , we may use statistic $T = \frac{\bar{X} - \mu_0}{s/\sqrt{n}}$ where X is the sample mean and s is the sample standard deviation. T has asymptotic normal distribution $N(0,1)$.
- To test for variance, σ^2 , we may use statistic $T = \frac{s^2 - \sigma_0^2}{\sigma_0^2/n}$ where s^2 is the sample variance. T has asymptotic standard normal distribution.
- To test for normality in terms of $\beta_1 = 0$ and $\beta_2 = 3$ we may use statistics: $T_1 = \frac{g_1}{\sqrt{g_2}}$ and $T_2 = \frac{g_2 - 3}{\sqrt{g_1}}$ where g_1 is the sample measure of β_1 , the skewness, and g_2 , is the sample measure of $(\beta_2 - 3)$ for peakedness. T_1, T_2 are distributed as asymptotic normal deviates.

9.6. Test for goodness of fit and independence. Pearsonian χ^2 test is used to examine whether the given frequency table is in good agreement with a hypothetical distribution. Let there be k classes with observed frequency for the i-th class as f_{oi} . Let f_{ei} be the corresponding expected frequency as per the hypothetical distribution. The Pearsonian χ^2 for goodness of fit is given by $\chi^2 = \sum_{i=1}^k \frac{(f_{oi} - f_{ei})^2}{f_{ei}}$. If $\chi^2_{\text{observed}} > \chi^2_{\alpha, k-1}$ then accept the null hypothesis H_0 : Frequency table is in agreement with the hypothetical distribution with level of significance α . This concept of Pearsonian χ^2 can be of help in examining the independence of two attributes. Let H_0 : Attributes are independent to be tested against the alternative H_a : Attributes are associated. Writing f_{ij} as the frequency of observations belonging i-th form of attribute A and j-th form of attribute B, $i = 1, 2, \dots, m$, $j = 1, 2, \dots, n$, we may express the Pearsonian χ^2 as $\chi^2 = \sum_{i=1}^m \sum_{j=1}^n \frac{(f_{ij} - \frac{f_{i.} f_{.j}}{N})^2}{\frac{f_{i.} f_{.j}}{N}}$ where $f_{i.} = \sum_{j=1}^n f_{ij}$ and $f_{.j} = \sum_{i=1}^m f_{ij}$ and $N = \sum_{i=1}^m \sum_{j=1}^n f_{ij}$. If the $\chi^2_{\text{observed}} > \chi^2_{\alpha, (m-1)(n-1)}$ then the H_0 is accepted at 100 α % level of significance. Otherwise H_0 is rejected in favour of H_a .

9.6. Non-parametric tests Non-parametric testing procedure makes general assumption concerning the distribution function and does not prefix the form of the distribution function. Thus, assumptions like normality, homoscedasticity etc. are not made to test the hypothesis of interest. Often variables are only assumed to be coming from a continuous distribution. Ordered observations are of frequent use and median is the more popular measure of central tendency.

133 Inter-quartile range is the suggested measure of dispersion. Sample median is the estimator of the population median and sample interquartile range is the estimator of the population inter-quartile range. Let us describe a few non-parametric tests which are widely used by the researchers. Non-parametric test for location. Let the location be measured by median and denote θ . Then, by definition, $P\{X \leq \theta\} = 1/2$. Let X_1, X_2, \dots, X_n be n random sample observations and based on these we want to test $H_0: \theta = \theta_0$. For this, let us examine the sign of $\{X_i - \theta_0\}$, $i = 1, 2, \dots, n$. Let r be the number of plus signs. Under H_0 , r will follow binomial distribution with probability of success $1/2$ and probability of failure $1/2$, as half of the signs are expected to be positive and remaining half are expected to be negative. The decision rules for different alternative hypotheses are given below in terms of critical values c_1 and c_2 where c_1 and c_2 are defined by the following inequalities: $c_1 \leq r \leq c_2$ and $r < c_1$ or $r > c_2$ and α are defined accordingly. This test for location is known as sign test. It can be extended to paired sample data (X_i, Y_i) , $i = 1, 2, \dots, n$. The difference values $d_i = X_i - Y_i$ can be constructed and sign test may be applied on d_i 's to test that this difference has the median at $\theta = \theta_0$.

134 Cox and Stuart test for presence of trend. Let x_1, x_2, \dots, x_n be n chronological observations. Let $c = n/2$ if n is even or $c = (n-1)/2 + 1$ if n is odd. Then the observations can be grouped in pairs as $(x_1, x_c), (x_2, x_{c-1}), \dots, (x_c, x_1)$. In this process we ignore the middle most number if n is odd. Next, assign + sign if $x_i < x_{c+i}$ and assign - sign if $x_i > x_{c+i}$ and ignore ties, if any. Let r be the number of + signs. The problem for testing for trend can be studied in terms of H_0 : There is no trend in the data i.e. $H_0: P\{x_i > x_{c+i}\} = P\{x_i < x_{c+i}\}$. The test procedure based on r will be similar to the sign test as explained earlier with n replaced by $n-c$. Cochran test for equality of treatment effects: Suppose k treatments are applied on r blocks with treatment effects measured in terms of binary observations 1 and 0, 1 if treatment is effective and 0 if treatment is ineffective. The scheme of data presentation is given below:

135 $i, j = 1$ if treatment is effective, 0 otherwise. We need to test H_0 : Treatment effects are equal against H_a : Treatment effects are not equal. The test statistic suggested by Cochran is $T = \frac{1}{n} \sum_{j=1}^k \sum_{i=1}^r x_{ij}^2 - \frac{1}{n} \sum_{i=1}^r \sum_{j=1}^k x_{ij}$. The decision rule will be to reject H_0 at $100\alpha\%$ level of significance if T observed $> \chi^2_{\alpha, k-1}$. Mann-Whitney test for identity of two distribution functions. Let X and Y be two random variables with distribution functions $F_X(u)$ and $F_Y(u)$. We like to test $H_0: F_X(u) = F_Y(u)$ for all u against the alternative that $F_X(u) \neq F_Y(u)$ are not identical for some u . To carry out this test we need to collect random sample observations X_1, X_2, \dots, X_n on X and Y_1, Y_2, \dots, Y_m on Y . The test procedure involves pooling of $(n+m)$ observations and assignment of ranks to $(n+m)$ observations. Let $R(X_i)$ and $R(Y_j)$ be the rank of X_i of population X and rank of Y_j of population Y respectively. Then the test statistic is $T = S - n(n+1)/2$ where S is the sum of the ranks assigned to observations from population X i.e. $S = \sum_{i=1}^n R(X_i)$. The decision rule will be to reject H_0 in favour of the alternative if $T > 1/2 w_\alpha$ or $w_\alpha - \alpha$; and accept H_0 otherwise, where α is the level of significance and w_α is the α -th quantile of the Mann-Whitney statistic. Kruskal Wallis test. This is an extension of Mann-Whitney test when number of populations to be studied for identity is $k (\geq 3)$. The test procedure is to collect n_i random sample observations from the i -th population and then rank all the observations in the G pooled sample. Let S_i be the sum of the ranks of the observations belonging to population i , $i = 1, 2, \dots, k$. Then the appropriate test statistic for testing the identity of the k population distribution functions is $T = \frac{12}{N(N+1)} \sum_{i=1}^k \frac{S_i^2}{n_i} - 3(N+1)$.

136 k where $N = \sum_{i=1}^k n_i$. The decision rule is described below: If $k = 3$ and $n_i \geq 5$ for all $i = 1, 2, \dots, k$ reject H_0 if the observed value of T is greater than or equal to H_α , the critical value of Kruskal-Wallis test for level of significance α . If $k = 3$ or $n_i \geq 5$ for all i , then T approximately follows χ^2 distribution with $(k-1)$ degrees of freedom under H_0 . Then reject H_0 if T observed $> \chi^2_{\alpha, k-1}$.

Kolmogorov-Smirnov test for goodness of fit. Let the population distribution function be given by $F(x)$ and the hypothesis to be tested is $H_0: F(x) = F_0(x) \forall x$ against the alternative that $F(x)$ is not equal to $F_0(x)$ for some values of x . With n random sample observations X_1, X_2, \dots, X_n drawn from $F(x)$ one can estimate $F(x)$ by the empirical cdf $F_n(x)$ where $F_n(x) = \frac{1}{n} \sum_{i=1}^n I_{\{X_i \leq x\}}$. The test statistic is $T = \sup_x |F_n(x) - F_0(x)|$ and the decision rule at $100\alpha\%$ level of significance is to reject H_0 in favour of the alternative if T observed exceeds $(1 - \alpha)$ quantile of Kolmogorov-Smirnov statistic.

9.7. Summary The basic objective of data collection is to estimate or test for the population characteristics of importance. Estimation of the population characteristics is of two types, according to the nature of the population: finite population or infinite population. In case there is a conjecture or hypothesis available with the investigator that hypothesis may be tested in the light of the given data: If probability model is given the hypothesis may be expressed in terms of the population parameters. This type of testing is known as parametric testing. In case the probability model is not given or assumed the testing problem comes under the domain of non-parametric test. Test procedures also differ according to the size of the sample. Sample mean is the usual estimator of the population mean and sample proportion is the usual estimator of the population proportion in case of simple random sampling without replacement. These are unbiased estimators. Corresponding standard errors are available.

137 in explicit form. Sample mean is also an unbiased estimator for the cases of simple random sampling with replacement and systematic sampling. For stratified random sampling weighted sample means of strata is used to unbiasedly estimate the population mean. Similar is the estimator for two stage sampling plan. For parametric estimation from an infinite population it is observed that sample mean is the Best Linear Unbiased Estimator (BLUE) for the population mean. Sample mean is the Minimum Variance Unbiased Estimator (MVUE) of the population mean for Poisson, normal and exponential distributions. Sample mean and sample variance (with division) are the maximum likelihood estimators of the population mean and population variance of the normal population. The same estimators can be obtained by the method of moments. Parametric tests have been described under normal setup for single population test for location when dispersion is given and when dispersion is not given. These and the subsequent test procedures are described through critical region. For normal population test for dispersion has been studied when the mean is unknown and when the mean is known. In case of two normal populations tests for equality of means have been studied under independent and dependent setups covering the cases where variances are known and variances are unknown but equal. Also test for equality of variances has been suggested in terms of F test and test for independence has been suggested in terms of sample correlation coefficient leading to t test. Large sample tests for proportion and equality of two proportions for binomial setup, test for mean for Poisson setup, test for lack of correlation etc. have been covered. Tests for goodness of fit and test for independence of attributes have been pre-sented in terms of Pearsonian χ^2 . Also non-parametric sign test for location, Cox and Stuart test for presence of trend, Cochran's test for equality of treatment effect, Mann-Whitney test for identity of two populations, Kruskal-Wallis test for identity of multiple populations and Kolmogorov-Smirnov test for goodness of fit have been described.

9.8. Questions 1. Suggest an unbiased estimator for the population mean based on SRSWOR explaining the concept of unbiasedness and indicating the estimation procedure for estimating the standard error of the proposed estimator for mean. 2. Using the concept of expectation show that sample mean based on systematic sampling is an unbiased estimator of the population mean. Obtain the expression for standard error in this case. 3. Using the expression for $\text{var}(X)$ given under stratified random sampling, examine the allocation of stratum-wise sample size when $\text{var}(X)$ is minimized subject to restriction that $n = \sum_{i=1}^k n_i$. (Ret. 9.2.4.). 4. Prove that sample mean is BLUE of the population mean. 5. Describe Poisson distribution, exponential distribution and normal distribution and suggest MVUE of their population means. 6. What do you mean by Maximum Likelihood method? State one important property of mle. Also obtain mle of μ and σ^2 of a normal distribution where μ is the population mean and σ^2 is the population variance. 7. Describe the statistical testing procedure indicating the errors and their measures. 8. Life of a brand of electric bulb has been measured for 18 prototypes. Assuming life distribution to be normal, test for mean life as 100 hrs using both small sample test and large sample test. Life (in hrs) : 125, 85, 87, 101, 93, 72, 73, 82, 91, 91, 93, 81, 89, 78, 82, 67, 78, 99. 9. For the data set given in question no. 8 examine whether the standard deviation is equal to 5 or less. 10. For two normal populations $N(\mu_1, 144)$ and $N(\mu_2, 169)$ the sample means based in 12 observations each are found to be 105 and 127. Examine the tenability of $H_0: \mu_1 = \mu_2$ against a suitable alternative. 11. For a bivariate normal distribution sample correlation coefficient based on 20 pairs of observations has been calculated as 0.21. Examine whether the two variables are independent. 12. Suggest a suitable non-parametric test for the problem in question number 8 when normality assumption is questionable and median life is same as mean life. 13. For the problem given under question number 11 test for $H_0: \rho = 0.25$, where ρ is the population correlation coefficient against the alternative $H_a: \rho > 0.25$. 14. To fit a uniform distribution given by the distribution function $F(x) = (x-60)/70$, $60 \leq x \leq 130$ to the life data given under question number 8, examine the goodness of fit. 15. Test for normality of the data set given under question number 8. 16. Describe Kruskal Wallis test clearly. stating the null hypothesis to be tested. Suggest a test procedure for two-population case.

139 17. Apply Cox and Stuart test for presence of trend in the following data set arranged in a chronological way : 212, 215, 220, 223, 230, 237, 242, 250, 255, 259. Short answer type questions. 1. Explain the terms 'parametric test' and 'non-parametric test'. 2. Explain the basic principle of large sample test. 3. What do you mean by BLUE? Suggest a BLUE for the population proportion. 4. Is mle necessarily unbiased? If yes, give reasons. If no, give an example of a biased estimator. 5. Explain the concept 'error' in statistical testing of hypothesis. 6. Explain through an example how decision rule changes with the change in the alternative hypothesis. 7. Is Pearsonian χ^2 test for goodness of fit a non-parametric test? Give reasons. 8. Will the Cox and Stuart test for presence of trend get changed if a constant is added to all the observations? Give arguments. 9. Suggest a suitable test procedure for examining the presence of trend. 10. Describe Cochran's test for equality of multiple mean treatment effects. Objective type questions. Indicate whether the following statements are true or false. 1. Parametric testing is creation of observation based on parametric information. True False 2. Sample mean is an unbiased estimator of population mean True False 3. Standard error is the positive square root of variance of the estimator under study True False 4. In systematic sampling standard error can not be expressed. True False

140 5. Simple average of the strata means is an unbiased estimator of the population mean when strata are of equal size. True False 6. BLUE is the MVUE of the population mean when the sample is drawn from a normal population. True False 7. cr^2 is an unbiased estimator of the variance of a population following normal distribution. True False 8. Appropriate test statistic for a test for normal mean when variance is unknown follows F distribution under H_0 . True False 9. For a normal setup test for independence is equivalent to test for lack of correlation. True False 10. χ^2 statistic for goodness of fit is also of use for testing independence of attributes. True False 11. Cochran's test is based on binary type information. True False 12. Empirical cdf is an estimator of the population cdf. True False 13. Kolmogorov Smirnov test statistic lies between 0 and 2 True False

141 Unit - 10 p Advanced Analytical Tools Structure 10.1 Introduction 10.2 Analysis of Variance (ANOVA) 10.3 Multiple regression analysis 10.4 Cluster analysis 10.5 Factor analysis 10.6 Conjoint analysis 10.7 Summary 10.8 Questions 10.9 Report Writing 10.10 References 10.1 Introduction There are some analytical tools of advanced nature, which have been found to be extremely useful in drawing statistical inference in managerial problems. We propose to consider a few of those tools and techniques which will equip the researcher to a great extent. One such tool is Analysis of variance (ANOVA). It is the major analytical tool for examining the data generated by the experimental design of formal type. We have examined the case where equality of two population means can be tested either by using z test (when variances are known) or by using test (when variances are equal and unknown). In case we like to consider more than two populations and are interested to test for equality of multiple mean values, ANOVA technique can provide with an interesting solution to this problem. Thus, ANOVA is having a greater scope than z or t tests. Because of its generic approach it has a wider appeal in the sense that it can be used for testing the suitability of regression analysis, effectiveness of treatment effects and interaction effects, effectiveness of classification system according to nature of variation/ and so on. ANOVA has been extended to multivariate set up, giving rise to Multivariate Analysis of Dispersion (MANOD) also known as Multivariate Analysis of variance (MANOVA). Regression is another widely used technique, mainly used for forecasting purpose. In the multivariate set up, one may have to deal with prediction situations when one dependent variable is affected by multiple independent variables. Multiple regression analysis is an answer to such problems. The line of attack in multiple regression is similar to the line of

142 attack in ordinary regression. The suitability of multiple regression as a causal model or as a predictor can be easily examined via ANOVA technique. Some other multivariate tools like Factor analysis, Conjoint analysis and cluster analysis are also of practical interest. We propose to present analysis of variances and multiple regression analysis with Worked out examples. Rest of the tools will be described more as an invitation to multivariate analysis than detailed prescription. 10.2. Analysis of Variance (ANOVA) The essence of ANOVA is to split, according to causes, the total variation in a set of data. The basic objective to study the nature of variation. Variation may be due to purely chance factor and variations may be due to different causes. In case we can separate out different types of causal variations from the chance variation, a better insight can be given into the total variation in the data. If we can identify one cause of variation we may rearrange the data according to different levels of that cause. The resultant presentation of data is known as one-way classified data. If two causes can be identified each with multiple levels we may rearrange the data into two-way classified form. Let us consider the ANOVA for one-way classified data. We may view the levels of the single cause present in the observed system, as different populations. In that case, one-way classified data represent data according to k populations where $k \geq 2$. If we assume the cause of variation to be described by the differential mean values and not by the variances of the population distributions, we may consider variances to be all equal. If there is no variation among the mean values, then the entire data set will represent a single population and let us describe the same by the null hypothesis, alternative hypothesis will be appreciating mean-wise variations among the k populations. If we denote by X_{ij} the j-th observation on the i-th population, $i = 1, 2, \dots, K, j = 1, 2, \dots, n_i$, then the mathematical model for carrying out subsequent analysis can be presented as $X_{ij} = \mu + \beta_i + e_{ij}, i = 1, 2, \dots, k, j = 1, 2, \dots, n_i$, where e_{ij} 's are independent and normally distributed variables with mean zero and variance σ^2 and $\sum_{i=1}^k \sum_{j=1}^{n_i} e_{ij} = 0$. We may refer μ as the general effect and β_i as the specific effect of i-th population / class, $i = 1, 2, \dots, k$. The least square estimates of μ and β_i can be obtained by minimizing sum of squares of error terms, i.e.

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$$S = \sum_{i=1}^k \sum_{j=1}^{n_i} (X_{ij} - \mu - \beta_i)^2$$
 After differentiating with respect to μ and β_i we get the estimating normal equations as

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<p>define research as a scientific and systematic search for pertinent information on a given topic.</p> <p>W https://oms.bdu.ac.in/ec/admin/contents/41_P16MBA12_2020051906355820.pdf</p>		<p>define research as a scientific and systematic search for pertinent information on a specific topic.</p>		
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<p>as the systematic and objective search for and analysis of information relevant for the identification and solution of any problem in the field of marketing.</p> <p>SA markiii_mr.pdf (D112190661)</p>				
4/19	SUBMITTED TEXT	29 WORDS	36% MATCHING TEXT	29 WORDS
<p>the method of selecting the items which are to be studied under the research study. Observational design describes the conditions under which the selected units are to be observed. Statistical design</p> <p>SA 22CMBA26 RESERACH METHODOLOGY.pdf (D141335234)</p>				

5/19 **SUBMITTED TEXT** 23 WORDS **47% MATCHING TEXT** 23 WORDS

When the dependent variable gets affected by the extraneous variable the relationship between the dependent and independent variable becomes confounded by that extraneous variable.

When the dependent variable is not free from the influence of extraneous variable(s), the relationship between the dependent and independent variables is said to be confounded by an extraneous variable(

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6/19 **SUBMITTED TEXT** 26 WORDS **42% MATCHING TEXT** 26 WORDS

research, descriptive and diagnostic research and hypothesis testing research. 3.2.1. Research design for exploratory or formulative research Since the objective of this type of research is to formulate

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of the experiments, that is, replication and randomization, are used. The principle of local control is not used in

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8/19 **SUBMITTED TEXT** 22 WORDS **69% MATCHING TEXT** 22 WORDS

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 $= a^*b^*c^*d$ 1, 1, 1, 2, 2, 3, 4, 5, 6,..8,... = $a^*b^*c^*d^*e$ 1, 1, 1, 2, 2, 3, 4, 5, 6,..8,... = $a^*b^*c^*d^*$

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13/19	SUBMITTED TEXT	28 WORDS	42% MATCHING TEXT	28 WORDS
Sampling design deals with the method of selecting the items to be studied. Observational design describes the conditions 35 under which the selected units are to be observed. Statistical design				
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14/19	SUBMITTED TEXT	20 WORDS	62% MATCHING TEXT	20 WORDS
Simple random sampling is of two types: simple random sampling with replacement (SRSWR) and simple random sampling without replacement (SRSWOR).				
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15/19	SUBMITTED TEXT	23 WORDS	62% MATCHING TEXT	23 WORDS
regarded as made of a number of first stage units, each first stage unit is made of a number of second stage units and		regarded as being composed of a number of first stag sampling units. Each of them is made up of a number of second stage units and		
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PREFACE In the curricular structure introduced by this University for students of Post-Graduate degree programme, the opportunity to pursue Post-Graduate course in Subject introduced by this University is equally available to all learners. Instead of being guided by any presumption about ability level, it would perhaps stand to reason if receptivity of a learner is judged in the course of the learning process. That would be entirely in keeping with the objectives of open education which does not believe in artificial differentiation. Keeping this in view, study materials of the Post-Graduate level in different subjects are being prepared on the basis of a well laid-out syllabus. The course structure combines the best elements in the approved syllabi of Central and State Universities in respective subjects. It has been so designed as to be upgradable with the addition of new information as well as results of fresh thinking and analysis. The accepted methodology of distance education has been followed in the preparation of these study materials. Co-operation in every form of experienced scholars is indispensable for a work of this kind. We, therefore, owe an enormous debt of gratitude to everyone whose tireless efforts went into the writing, editing and devising of proper layout of the materials. Practically speaking, their role amounts to an involvement in invisible teaching. For, whoever makes use of these study materials would virtually derive the benefit of learning under their collective care without each being seen by the other. The more a learner would seriously pursue these study materials the easier it will be for him or her to reach out to larger horizons of a subject. Care has also been taken to make the language lucid and presentation attractive so that it may be rated as quality self-learning materials. If anything remains still obscure or difficult to follow, arrangements are there to come to terms with them through the counselling sessions regularly available at the network of study centres set up by the University. Needless to add, a great part of these efforts is still experimental—in fact, pioneering in certain areas. Naturally, there is every possibility of some lapse or deficiency here and there. However, these to admit of rectification and further improvement in due course. On the whole, therefore, these study materials are expected to evoke wider appreciation the more they receive serious attention of all concerned. Professor (Dr.) Ranjan Chakrabarti Vice-Chancellor Printed in accordance with the regulations of the Distance Education Bureau of the University Grants Commission. First Print : March, 2023 Netaji Subhas Open University Post Graduate Degree Programme Master of Business Administration (MBA) Course Code : CP-206 Course : Business Legislation Notification

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Unit 1 ppppp The Law of Contract Act, 1872 Structure 1.1 Definition of Contract 1.2 Essential elements 1.3 Offer and Acceptance 1.3.1 Rules regarding Offer 1.3.2 Rules regarding Acceptance 1.3.3 Examples of Offer and Acceptance 1.3.4 Offer and Acceptance by Post and Telephone 1.3.5 Revocation of Offer and Acceptance 1.4 Consideration 1.4.1 Types of Consideration 1.4.2 Rules regarding Consideration 1.4.3

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Exceptions to the maxim “No Consideration, No Contract”? 1.4.4 Stranger to a Contract 1.5

Void, Voidable and Illegal Agreements 1.6 Agreement in Restraint of Trade 1.7 Wagering Contracts 1.8 Free Consent 1.9 Coercion 1.10 Undue Influence 1.10.1 Distinction between coercion and undue influence 1.11 Fraud and Misrepresentation 1.11.1 Distinction between Fraud and Misrepresentation 1.12 Mistake 1.13 Contingent Contracts 1.13.1 Rules regarding Contingent Contracts 1.13.2 Difference between Contingent Contract and Wagering Contract 1.14 Performance of Contract 1.14.1 Effect of refusal of party to perform promise wholly

2.1.14.2 Contracts need not be performed. 1.14.3 Time as the Essence of the contract 1.15 When can Contracts be-terminated 1.15.1 Anticipatory Breach of Contract 1.15.2 Rules regarding amount of Damages 1.15.3 Liquidated Damages and Penalty 1.15.4 Quantum Meruit 1.16 Meaning and Cases of Quasi Contracts 1. 17 Questions 1.1

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Definition of Contract Under Section 2(h) of the Indian Contract Act an agreement enforceable by law is a contract. "

An agreement comes into existence whenever one or more persons promise to one or others to do or not to do something.

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Every promise and every set of promises, forming the consideration for each other, is an agreement" [Sec 2(e)].

An agreement to play cards or go to cinema cannot be enforced in a court of law and hence is not a contract. 1.2 Essential Elements (i)

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There must be lawful offer by one party and lawful acceptance of the offer by the other party. (

ii) The agreement should result or create legal relationship e.g. an agreement to marry, buy & sell goods. (iii)

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An agreement is enforceable when each of the parties to it gives something and gets something. The something given or obtained is

cal led consideration. (iv) Parties to an agreement must be legally capable of entering into an agreement. Minors, lunatics, idiots, drunkards cannot enter into an agreement which can be enforced in a court of law. (v) An agreement must be based on free consent of all parties. If an agreement is vitiated by coercion, undue influence, mistake, misrepresentation, fraud it cannot be enforced by the party guilty of such acts. (vi)

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The object for which agreement is entered into must not be illegal, immoral or opposed to public policy. 3 (

vii) The agreement must not be vague. (viii) The agreement must be capable of being performed. (ix) The agreement must be

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in writing in case of sale, lease, gift, mortgage of immovable property, negotiable instruments, Memo/Articles of a company. Registration is

necessary for documents u/s 17 of Registration Act. 1.3 Offer and Acceptance
Proposal –

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When one person signifies to another his willingness to do or to abstain from doing anything with a view to obtaining the assent of that other to such act or abstinence, he is said to make a proposal. Sec, 2(a). Offer – A proposal is also called an offer. The promisor or person making the offer is called the

offeror.

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SA

004_Business Environment.pdf (D142522848)

The person to whom the offer is made is called the

offeree.

Acceptance –

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When the person to whom the proposal is made signifies his assent thereto the proposal is said to be accepted. A proposal when accepted becomes a promise. Sec. 2(b). The person making the proposal is called the promisor and the person accepting the proposal is called the promisee. Sec. 2(c). 1.3.1

Rules regarding Offer (1) An offer may be expressed i.e. by words, spoken or written or implied i.e. by conduct depending upon the circumstances. (2) An offer may be to a definite person, definite class of persons or the world at large. (3) The terms of the offer must be certain. (4) Mere statement of intention is not offer e.g. an advertisement in the newspapers inviting applications for job is not an offer. It is an invitation to make offers. (5) The offer may be subject to certain conditions, which must be communicated to the offeree clearly. (6) The offer must be communicated to the offeree e.g. in Gauri Dutt & Lal Mohan, G sent his servant L to search his missing nephew. Meanwhile G offered a reward to any person who could give information regarding the concerned boy. L found the missing boy but did not have any knowledge regarding the reward. Held that there was no contract between G and L as such L could not claim the reward.

4 1.3.2 Rules regarding Acceptance (1) Acceptance must be absolute and unqualified e.g. X offered to sell his house for Rs. 2,00,000/- to Y. Y accepted for Rs. 1,80,000/-. This is not an acceptance but a counter offer. (2) Acceptance must be expressed in usual and reasonable manner i.e. by words spoken, or written or by conduct. (3) Mental acceptance or uncommunicated assent does not result in a contract e.g. P received an offer by post. He wrote on the letter "Accepted" and kept it inside the drawer, forgetting all about it. Held there was no contract between him and other party, as the letter had not been communicated. (4)

The

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4th Semester_Business Regulatory Framework.pdf (D165314949)

acceptance must be made while the offer is in force i.e. before the offer

has been revoked or before the offer has lapsed. (5) If a particular mode of acceptance has been proposed by the offer or must follow that particular mode of acceptance. (6)

82%**MATCHING BLOCK 14/685****SA**

4th Semester_Business Regulatory Framework.pdf (D165314949)

Communication of acceptance is complete as against the proposer if it is put in course of transmission so as to be out of power of the acceptor and against the acceptor if it comes to knowledge of the proposer. 1.3.3

Examples of

Offer and Acceptance General Offer- A river transport company operates ferry services from Ariadaha to Kheya Ghat (Uttarpara) across the river Hooghly. There is an offer to carry passengers at scheduled fares. The offer is accepted when a passenger boards ferry with the intention of reaching his destination. Specific Offer-An advertisement is given in the Sunday Statesman for sale of a Maruti Esteem car for Rs. 1,50,000. This is a proposal. The advertiser is the promisor or offerer, while the person accepting the proposal to buy the car at the stated price is the offeree or promisee or acceptor. A contract has been established as, Offer+ Acceptance= Agreement or Contract. "Offer and Acceptance are powerless. They cannot individually lead to a contract. But Offer and Acceptance together leads to a contract enforceable in a Court of Law provided the other essential elements of contract exist. The ingredients in gunpowder viz. sulphur, iron filings by themselves are inactive but when a light is applied they explode. Similarly Offer and Acceptance both must be present to make a valid contract. However no contract will be formed if there are disqualifications of either offer or acceptance. The following maxim aptly describes

87%**MATCHING BLOCK 13/685****W**

the situation; "Acceptance is to Offer" what a lighted match is to a train of gunpowder".

Once a contract is formed, it cannot be

undone. The powder may have remained till it became damp or the person who laid the train on the tracks removed it before the matchstick is lighted." 1.3.4 Offer and Acceptance by Post & Telephone An offer may be made by post. An offer may also be accepted by post provided no other mode of acceptance has been prescribed by the proposer. When a proposal has been made by post, the post office acts as the agent of the proposer. Therefore a letter duly addressed and posted is sufficient acceptance even though the letter might not reach the proposer as notice to an agent is regarded as a notice to the principal. Offer and acceptance may be communicated through telephone. But there are certain conditions regarding oral communication. Both offer and acceptance must be audible, heard and understood. If the conditions are satisfied and the other essential elements of contract exist, the parties are bound through telephonic conversation. 1.3.5 Revocation of Offer and Acceptance An offer comes to an end and is no longer open to acceptance under the following circumstances : (i) If the offerer gives notice of revocation to the other party i.e. expressly withdraws the offer.

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SA MBA-401 Business Law.pdf (D164737585)

An offer may be revoked at any time before acceptance

but not afterwards. (ii)

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SA 4th Semester_Business Regulatory Framework.pdf (D165314949)

When the proposer prescribes the time within which the proposal must be accepted, the proposal lapses as soon as the time expires. (iii) If no

time limit has been prescribed, the proposal lapses after the expiry of reasonable time. What is reasonable time depends upon the circumstances. (iv) A proposal once refused is dead and cannot be revived by subsequent acceptance. (v)

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SA 4th Semester_Business Regulatory Framework.pdf (D165314949)

An offer lapses by the death, insanity of the proposer, if the fact of his death or insanity comes to the knowledge of acceptor before acceptance. (

vi) An offer lapses

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by the failure of the acceptor to fulfil a condition precedent to acceptance

where such a condition has been prescribed. U/s 5 of the Indian Contract Act, an acceptance can be revoked any time when acceptance comes to the knowledge of the proposer but not afterwards e.g. P proposes by letter sent by post to sell his house to Q. Q accepts the proposal by letter sent by post. Q may revoke the acceptance any time before the letter communicating it reaches P but not afterwards. 1.4 Consideration Consideration means something in return. It is one of essential elements in a valid contract. As per the Indian Contract Act, Sec 2(d), consideration is defined

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as "when at the desire of the promisor, the promisee or any other person has done or abstained from doing or does or abstains from doing or promises to do or to abstain from doing something such act or abstinence or promise is called consideration for the promise." 1.4.1

Types of Consideration

There are three types of consideration. (1) Past Consideration - When consideration of one party was obtained before the date of the promise. (2) Present Consideration - It moves simultaneously with the promise and is also known as Executed Consideration e.g. cash sales. (3) Future Consideration - It moves at a future date and is called Executory Consideration. 1.4.2 Rules regarding Consideration (i) Desire of the promisor is essential - Act done or loss suffered by the promisee must be done or suffered at the desire of the promisor e.g. A sees B's house on fire and helps in dowsing the flames.

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SA 4th Semester_Business Regulatory Framework.pdf (D165314949)

B did not ask for his help. A cannot demand payment for the services rendered. (ii) Consideration must be real

and not illusory - It must not consist of impossible act or promise e.g. to discover treasure by magic. (iii)

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Consideration need not be adequate - An agreement to which the consent of the party is freely given is not void even if the consideration is inadequate but the inadequacy of the consideration may be taken into account by the court in determining the question whether the consent of the promisor was freely given.

It is not

possible for the court to determine adequate consideration. But if the consent was freely given the court will enforce the quantum of consideration agreed between the two parties e.g. D promises to B to sell land in Calcutta at Rs. 1,000 per cottah. The agreement is valid if the consent of D was freely obtained. (iv)

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SA 4th Semester_Business Regulatory Framework.pdf (D165314949)

Consideration must not be illegal, immoral or opposed to public policy-

If the consideration or object of the agreement is illegal, the agreement is unenforceable. The same rule applies if the consideration is immoral or opposed to public policy. (v)

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Consideration may be present, past or future. (vi) Consideration may move from the promisee or

from any other person even

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a stranger- It is immaterial who has furnished it. A stranger to the consideration

can sue to enforce the contract but a stranger to the contract cannot e.g. A person gave some properties

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SA 4th Semester_Business Regulatory Framework.pdf (D165314949)

to his wife directing her to pay an annual allowance to his brother.

The wife entered into an agreement with the brother promising him to pay the allowance. The agreement is unenforceable by the brother even though no consideration received by the wife moved from the brother.

7.1.4.3 Exceptions to the maxim "No Consideration, no contract" For a valid contract, consideration is an essential element. A consideration is void. Under Roman law, an agreement without consideration was called nudum pactum meaning no contract. This rule is however applicable to Indian law as well. But there are

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certain exceptions to this rule. (1) An agreement made on account of natural love and affection

provided the following conditions exist (a) it is expressed in writing (b) it is registered (c) there exists a clear relationship between the parties e.g. husband making a gift to his wife. (2)

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A promise to compensate wholly or in part a person who has voluntarily done something for the promisor or something which the promisor was legally compellable to do

e.g. A spends money for the maintenance of B's infant son. B promises to meet A's expenses for the same. It is

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a contract. (3) A promise to pay wholly or in part a debt barred by limitation

provided such promise is

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in writing and signed by the debtor or his authorised agent e.g. A owes B Rs. 1,000/- but the debt is barred by limitation. However, A promises in writing to repay Rs. 500/- on account of debt. This is a contract. (4)

Uls 185, a contract to create an agency requires no consideration. 1.4.4

Stranger to a Contract

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A person who is not a party to a contract cannot sue or be sued upon it. In

an English Case, Tweedle Vs. Atkinson, X & Y entered into an agreement to pay a certain sum of money to their children C & D upon their marriage. The marriage took place. X died. C sued the Executor of X for recovery. Held C could not sue. The rule is that a stranger to a contract cannot file a suit to enforce it. The right to sue or liability to be sued upon it arises only if there is a privity of contract between the parties. But there are certain exceptions to the above rule. (1) A beneficiary under a trust can sue for enforcement of the trust agreement. (2) A transferee or an assignee of a bill of exchange can sue upon it although not a party to it. (3) A family settlement arrived at mutually in a settlement of family disputes can be enforced by the family members who were originally not parties to the contract. 1.5 Void, Voidable and Illegal Agreements An agreement not satisfying the essential elements of a contract may be either void or voidable. (Sen & Mitra, Commercial Law, World Press, Calcutta 2004, Page 46) Under section 2(g).

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an agreement not enforceable by law is said to be void. A void agreement has no legal effect

and does not confer any right to a person thereby creating no obligations. e.g. agreements made by a minor, agreements opposed to public policy, agreements without consideration etc. Such

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agreements are void ab initio i.e. void from the very beginning.

An agreement

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which is legal and enforceable when it was made may subsequently become void due to non-performance, legal changes or other reasons.

A voidable agreement, on the other hand, is one which can be avoided i.e. set aside by some of the parties to it. (Ibid Page 47). If not avoided, it

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is a valid contract. An agreement, which is enforceable by law at the option of one or more of the parties thereto but not at the option of the other or others is a voidable contract

e.g. contracts based on coercion, undue influence, misrepresentation etc. A threatens B to enter into a contract for the sale of B's house to him. The contract can be avoided by B. A cannot enforce the contract. But B, if he so desires, can enforce it against A.

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An illegal agreement is one which is against the law in

force in India e.g. agreement to commit cheating, stealing, murder or robbery. Distinction amongst them : "An illegal agreement is also void. But a void agreement is not necessarily illegal." (Sen & Mitra, Suyra Page 47). Agreement not contrary to law may still be void. If the terms of an agreement are uncertain it is void though such a contract is not illegal." 5 Ibid PP47-48. "When an agreement is illegal, other agreements incidental or collateral to it are void. Courts shall not enforce any agreement entered into with the purpose of aiding an illegal transaction." "Even if the main agreement is void but not illegal, agreements which are incidental or collateral to it may be valid." 7 Ibid PP47-48. · 1.6.

Agreement

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Sambalpur_MBA_SEM_2_Legal Aspects of Business_ ...
(D156214893)

in Restraint of Trade - Exceptions Every agreement by which any person is restricted from exercising a lawful profession, trade or business of any kind is to that extent void.

E.g., In Mahadev Vs. Raj Kumar, both of them were carrying on the same business in the same locality. Mahadev agreed to close his business if Raj Kumar was willing to pay him Rs. 900/-, which he had paid to his employees as advance. Accordingly, Mahadev closed his business on the assurance given by Raj Kumar that he would pay the agreed sum. Subsequently, Raj Kumar failed to fulfil his obligation. Held that Mahadev could not recover the sum of money from Raj Kumar as it had been an agreement in restraint of trade. However, there are certain exceptions to this rule under the Indian Law : .

9 (1) Sale of Goodwill - Any

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Ravinder Kumar - Legal Aspects Of Business, 4E ... (D142409269)

one who sells the goodwill of his business may be restricted by the buyernot to do similar business within specified local limits.

Such limits should be reasonable in the eye of law and is dependent on the nature of business. E.g: In Goldsall Vs. Goldsman, a dealer in imitation jewellery sold the goodwi ll of his business to another and restricted him from doing business of imitation and real jewellery in the same locality. While restrictions could be imposed on imitation jewellery, the same will not be valid in case of real jewellery. (2) Partner's Agreement- A partner or an outgoing partner may agree that

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he shall not carry on a business similar to that of the firm

of which he is or was a partner within a specified period or within specified local limits. (3) Service Contracts - An employee may bind himself not to compete with his employers. This will not be in restraint of trade (Charlesworth Vs. Macdonald). l.7

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Sambalpur_MBA_SEM_2_Legal Aspects of Business_ ...
(D156214893)

Wagering Contracts A wager is an agreement by which money is payable by one person to another on the happening or non happening of future uncertain event.

e.g. P agrees with Q that if it rains on a certain day P will pay Rs. 50 to Q. If it does not rain, Q will pay P Rs. 50. An agreement by way of wager is void and hence not enforceable in a court of law. There are however certain exceptions: (1) Stock Exchange transactions in which there is clear intention to give and take deli very of shares. (2) Prizes and competitions which are games of skill viz. picture puzzles, athletic competitions etc. (3) Contracts oflnsurance whereby payment of money by the insurer may depend upon future uncertain evvert. 1.8

Free Consent

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Two or more parties are said to consent if they agree upon the same thing in the same sense

i.e. there is
consensus ab idem. The consent shall not

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MBA SEM-I Business Law.pdf (D142212465)

be free if it has been caused by coercion, fraud, misrepresentation, undue influence and mistake. 1.9

Coercion
Coercion means (i)
the

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MBA SEM-I Business Law.pdf (D142212465)

committing or threatening to commit an act forbidden by Indian 10 Penal Code (ii) unlawful detention or threatening to detain any property. Such an act

is done with the intention

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to cause the other party to enter into an agreement. ·

E.g. P threatens to shoot Q if he does not let him have his house. Q agrees to do so. The consent was not free, as it had been secured by coercion. 1.10 Undue Influence As per Sec 16, undue influence is exercised where: (1)

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4th Semester_Business Regulatory Framework.pdf (D165314949)

One of the parties is in a position to dominate the will of the other. (2) He uses his position so as to obtain unfair advantage over the other. A

contract induced

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MATCHING BLOCK 44/685

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by undue influence is voidable at the option of the party

with whom it is exercised. Undue influence is presumed in the following cases (i) Where one party stands in a fiduciary relationship to the other party i.e. relationship of mutual trust and confidence e.g. lawyer and client, father and son (ii) Where one party

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makes a contract with a person whose mental capacity is affected by age or illness.

However, undue influence cannot be presumed to exist in cases of landlord and tenant, debtor and creditor. 1.10.l Difference between Coercion and Undue Influence In case of both coercion and undue influence, one party is under the influence of another. In coercion, influence is caused by an act of

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Business Legislation Notes (Indian-Legal-Syste ... (D159771781)

committing or threatening to commit an offence punishable under Indian Penal Code or unlawful detention or threatening to detain any property.

In undue influence, it is caused by the domination of the will of one person over another. Coercion is caused by the use of physical force whereas undue influence is brought about by mental pressure. 1.11 Fraud and Misrepresentation Fraud includes all acts adopted by one party with a view to deceive the other party. U/s 17, fraud includes the following acts : (1)

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The suggestion as a fact that which is not true by one who 'does not believe it to be true. (2) The active concealment of a fact by one having knowledge or belief of the fact.

Mere silence does not amount to fraud unless it is obligatory on the part of the person having knowledge or belief to disclose all facts. e.g. B sells his horse which he knows to be unsound to A. At the time of sale, B kept mum regarding the soundness of the horse. Here mere non-disclosure does not

11 amount to fraud. But if a fiduciary relationship exists between the two parties, it is the duty of B to inform A of the unsoundness of the horse otherwise B will be guilty of fraud. (3) A promise made without having the intention of perform. (4) Any other act or acts intended to deceive. The options left to the aggrieved party are: (i) To avoid the contract. (ii) To insist on the contract being performed. (iii) To sue for damages. Fraud being a civil wrong, compensation is payable. On the other hand, misrepresentation arises when, representation made has been inaccurate

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but the inaccuracy is not due to any desire to defraud the other party

i.e. there is no intention to deceive. U/s 18, misrepresentation has been classified into three groups. (1) Innocent mis-statement. (2) Any breach of duty which without the intention to deceive gains and advantage on the person committing it. (3) Positive assertion of that which is not true though the party making it believes it to be true. The options left to the aggrieved party are: (1) - To avoid the contract. (2) To insist that the contract be performed. U/s 19, when consent had been obtained from the party who had the means to discover the truth with ordinary diligence he has no remedy. E.g.-X has a factory which produces 500 Kgs. of indigo. Y who intends to buy the factory examines the books of account and discovers that 400 kgs of indigo are produced. Y buys the factory. The contract is not avoided by X's misrepresentation. 1.11.1 Distinction between Fraud & Misrepresentation (1) In misrepresentation, there is no intention to deceive whereas in fraud there is a clear intention to deceive. (2) In case of fraud, aggrieved party can sue for damages. In case of misrepresentation, no suit for damages is allowable. (3) In misrepresentation, if the circumstances were such that

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the aggrieved party had the means to discover the truth with ordinary diligence, the contract cannot be

avoided. This applies to fraudulent silence as well. But in fraud there is no defence. Even if there were independent sources to discover the truth, which was not availed of, the aggrieved party may rescind the contract and file a suit for damages.

12.12 Mistake Mistake is an erroneous belief regarding some matter. Consent shall not be free if an agreement is vitiated by mistake. Mistakes

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are of two types: (1) Mistake of law & (2) Mistake of fact. Furthermore, mistake

on a point of law is divided into: (a) one in force in India (b) the other not in force in India. Mistake of law, in the context of India, does not affect the contract while in the case of a foreign country it is treated as a mistake of fact.

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A and B make a contract based on the erroneous belief that a particular debt is barred by the Indian law of limitation, the contract is not voidable.

The effect of mistake of law is dependent on the maxim that ignorance of law is no excuse. On the other hand, if the mistake relates to the law of a foreign country then the contract is void: An agreement induced by mistake of fact is void provided: (1) Both parties to the agreement are mistaken. (2) The mistake is as to a fact essential to

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Ravinder Kumar - Legal Aspects Of Business, 4E ... (D142409269)

the agreement. e.g. A agrees to buy from B a certain horse which was dead at the time of the bargain though neither party was aware of the fact. The agreement is void.

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An erroneous opinion with regard to the value of a thing forming the subject matter of the agreement shall not be deemed to be a mistake as to matter of fact e.g. X buys

an

item of worth Rs. 500/- for Rs. 1,000/- thinking it to be of that price. The agreement cannot be avoided on the plea of mistake.

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A contract is not voidable merely because it was caused by one of the parties to it being under a mistake as to a matter of fact

e.g. H contracted with N corporation to build a number of houses. While calculating the cost of the houses. H by mistake deducted a sum twice and submitted his estimates accordingly. Held the agreement was binding as it stood when the Corporation affixed its seal to it even though the estimates were based upon an error. (Higgins Ltd. Vs. Northampton Corporation). When one or more of the parties to an agreement suffer from a fundamental error and the consent though obtained is not there, the agreement shall be void. There are cases of mistake which cause an agreement to be invalid. (a)

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Mistake as to the identity of the person contracted with

e.g. Blenkam ordered by letter goods from Lindsay and signed it on behalf of the firm Belnkiren & Co., which Lindsay believed it to be so. Held that there was no contract between Lindsay and Blenkam since Lindsay had no intention to deal with Blenkam (Cundy Vs. Lindsay). On the other hand, where the identity of the person contracted with is immaterial mistake as to identity will not avoid the contract e.g. If A goes to a shop introducing himself as Band purchases some items for cash, the contract is valid unless the shopkeeper made it a point to sell goods to A and not to B. (b) Mistake as

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to the subject matter of the contract or the nature of the transaction - if the contract is very much different from the contract the parties intended to make,

the contract could be avoidable e.g. M, an old man with poor view, endorsed a bill of exchange assuming it to be a guarantee, though there was no negligence on his behalf. Held there was no contract (Foster Vs. Mackinnon). 1.13 Contingent Contracts A Contingent Contract is a contract, which is conditional (i) on the happening or (ii) on the non-happening of some future event. Contracts of insurance, Indemnity belong to this class. Such contracts are enforceable when the event or loss occurs. E.g: Insurance money payable by a Fire Insurance Company when a fire occurs. 1.13.1 Rules Regarding Contingent Contracts (i) If it is contingent on the happening of some future event, it is enforceable when the event happens (Sec. 32). The contract becomes void when the event becomes impossible (Sec. 32). E.g :

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A agrees to pay a sum of money to B when he marries C. C

dies unmarried. The contract becomes void. If a time is fixed for the happening of an event, the contract becomes void when the event does not happen at the expiry of that time or before the expiry of that time the event becomes impossible (Sec. 35) E.g: A agrees

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SA MBA-401 Business Law.pdf (D164737585)

to pay a sum of money to B if his ship returns within a year. The contract becomes void if the ship sinks within the year. (2)

If it is contingent on the non-happening of some future event it is enforceable when the event becomes impossible (Sec.33). E.g:
A

59%

MATCHING BLOCK 59/685

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agrees to pay a sum of money to B if his ship does not return. The contract is enforceable if the ship

is wrecked. If a time is fixed for the non-happening of an event, the contract is enforceable when the event does not happen at the expiry of that time or before the expiry of that time it is certain that the

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SA MBA-401 Business Law.pdf (D164737585)

event will not happen (Sec. 35) E.g: A agrees to pay a sum of money to B if his ship does not return within

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SA MBA-401 Business Law.pdf (D164737585)

a year. The contract is enforceable if the ship does not return within the year or if the ship is wrecked within the year.

If the future event is impossible at the time the contract is made, the contract becomes void whether the impossibility was known to the parties or not.

14 1.13.2 Difference between Contingent Contract and Wagering Contract Contingent Contract : i) Valid Contract ii) Does not contain Reciprocal Promise iii) Either party or both have an interest in the subject matter of the contract. iv) Future Event is collateral and valid. v) Depends on the happening or non-happening of event and is valid. Wagering Contract : i) Void Contract. ii) Contained Reciprocal Promise. iii) Parties have no interest except getting or paying money. iv) Void by itself. v) Void by itself. 1.14 Performance of Contracts Performance of a contract means the carrying out of legal obligations. Each party must perform or offer to perform the promise which he has made unless such performance is dispensed with or excused under the law. 1.14.1

Effect of Refusal of Party
to perform promise wholly

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MATCHING BLOCK 62/685

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When a party to a contract has refused to perform, or disabled himself from performing, his promise in its entirety, the promise may put an end to the contract, unless he has signified by word or conduct, his acquiescence in its continuance.

P, a singer, enters into a contract

92%

MATCHING BLOCK 67/685

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MBA-401 Business Law.pdf (D164737585)

with B, the manager of a theatre to sing at his theatre two nights in every week during the next two months and B engages to pay her

at the rate of Rs. 1,000/- for each night. On the sixth night P willfully absents herself. With the assent of B, P sings on the seventh night. B has signified his acquiescence in the continuance of the contract and cannot now put an end to it but is entitled to compensation for the damage sustained by him through P's failure to sing on the sixth night. 1.14.2 Contracts need not be performed l) If by mutual agreement,

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if the parties to the contract, substitute a new contract for it or rescind or alter it, the original contract need not be performed. 2) Every promise may dispense with or remit wholly or in part; the performance of the promise made to him or may accept instead of it any satisfaction, which he thinks fit. 15 3)

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MATCHING BLOCK 65/685

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When a person at whose option a contract is voidable rescinds it, the other party thereto need not perform any promise therein contained in which he is

the promisor. The party rescinding a voidable contract shall, if he

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has received any benefit thereunder from another party to such contract, restore such benefit, to the person from whom it was received. (4)

If the

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4th Semester_Business Regulatory Framework.pdf (D165314949)

promisee neglected or refuses to afford the promisor reasonable facilities for the performance of his promise, the promisor is excused

by such neglect or refusal as to any non-performance caused thereby. 1.14.3 Time as

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the Essence of the Contract In contracts where time is the essence of the contract, if there is failure to perform within

fixed

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time, the contract or so much of it as remains unperformed become voidable at the option of the promisee. The

promisee may accept performance after the fixed time but if he does so he cannot claim compensation unless he gives notice of his intention to claim compensation unless he gives notice of his intention to claim compensation at the time of accepting the delayed performance. For contracts

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where time does not form the essence of the contract, failure to perform within the fixed time does not make the contract voidable, but the promisee is entitled to get compensation for any loss caused to him by such failure. 1.15

When can Contracts

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MBA SEM-I Business Law.pdf (D142212465)

be terminated A contract may be terminated in the following ways: 1) By Performance of the Promise 2) By operation of

Law e.g. death, insolvency, merger. 3) By Mutual Consent cancelling the agreement or substituting a new agreement in place of the old. This can take place through Novation (new agreement substituted in place of the existing one either between same parties or different parties), Alteration (change in one

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or more of the terms of the agreement), Remission (acceptance of less than what was contracted for),

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Rescission (cancellation of all or some of the terms of the

agreement), Waiver (abandonment of right by a party to the agreement), Merger (Inferior right vanishes into superior right if they coincide and meet in one and same person) 4) By Subsequent Impossibility of Performance due to destruction of object necessary for performance, personal incapacity, outbreak of war, change of law, non-existence of a state of things, continued existence of which formed the basis of the contract. 5) By Material Alteration without consent of the parties e.g. change in the amount of money to be paid, place & time of payment, name of the parties. 6) By Breach made by one party. This can happen through (i)

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Business Law Block-1.pdf (D164991125)

actual breach when one party fails or refuses to perform his

obligations for which the aggrieved party can take recourse to rescission of the contract, Sue for damages and quantum Meruit, specific performance, injunction (ii) anticipatory breach whereby

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a party repudiates his liability under the contract before the time of performance or when he disables himself from performing the contract.

The aggrieved party can take recourse to treat the contract as discharged or adopt legal remedies available for the breach, sues for damages, specific performance, injunction. 1.15.1 Anticipatory Breach of Contract An

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anticipatory breach of contract occurs when a party repudiates his liability under the contract before the time for performance is due or when a party by his own act disables himself from performing the contract

e.g. X agrees to marry Y. Before the agreed date of the marriage, X marries Z. The options left to the aggrieved party are : i) To treat the contract as discharged. ii) To adopt legal remedies, which are available to him for breach i.e. file a suit for damages, specific performance, injunction etc. If the contract is not accepted as discharged, the contract continues to exist and may be performed by the other party if possible. Again if the discharge has not been accepted and an event occurs which discharges

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the contract legally, the aggrieved party loses his right to sue for damages. 1.15.2

Rules Regarding Amount of Damages 1) The aggrieved party is entitled to recovery by way of compensation the actual loss sustained by him. 2) Court will take into account fair and reasonable loss which is natural and usual in case of breach (Hadley Vs. Baxendale). 3) Remote damages can be claimed if the parties had reasonably apprehended it at the time of the contract (Pinnock Bros Vs. Lewis and Peat Ltd.) 4) When a contract is broken, the court shall take necessary steps to place the injured party

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in the position in which he would have been if the contract had been performed. 5) The aggrieved party

is entitled to get costs of the decree for damages. 6) The injured party must take reasonable steps to minimise the loss consequent on breach otherwise he will not be entitled to get that part of damages which results from his failure to take necessary steps (Jamal Vs. Molla Dawood Sons & Co.) 7) The aggrieved party is entitled to get reasonable amount of damages not exceeding the sum specified.

17 1.15.3 Liquidated Damages and Penalty Liquidated Damages represent a sum fixed by the parties on the basis of a reasonable estimate of probable actual loss likely to result in case of breach. Penalty represent a sum named in the contract which is disproportionate to the damages likely to result in case of breach. The courts will never allow any sum more than that specified even though the actual loss is different from it. Reasonable compensation by way of damages is allowable. Penalty is treated as invalid. U/s 74, if the parties fix

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the amount of damages to be paid in case of breach,

the Courts will allow compensation, which is reasonable and never more. This does away with the distinction made between liquidated damages and penalty in English Law. The same rule applies to ordinary contracts with Government but in case of bail bonds or recognizances given to Government for public purpose, the whole sum fixed is recoverable. 1.15.4 Quantum Meruit The doctrine of Quantum Meruit means 'as much as is merited.'

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When a person does some work under a contract and the other party repudiates the contracts or makes the performance of the contract impossible then the

person who had done some work is entitled to receive remuneration for part performance. A claim upon

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Quantum Meruit may arise : a) When the contract is discovered to be void (Sec. 65). The person who has done something under the contract is entitled to

reasonable compensation. b) When something is done or goods

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or goods are supplied by a person without any intention

to do so gratuitously, the other party who reaps the benefit is bound to compensate or restore things so done or delivered (Sec. 70). c) In case of indivisible contract performed badly, the performer can claim payment on Quantum Meruit less deduction for bad work. 1.16 Meaning and Cases of Quasi Contracts Some obligations which are not the outcome of any agreement but which are treated as such by law and are enforceable as contracts. Such relations resembling those created by contracts are called "Quasi Contracts". 1) Necessaries supplied to

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a person incapable of contracting or to any one whom he is legally bound to support,

the person furnishing such supplies

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is entitled to be reimbursed from the property of such incapable person. 2) A person who is interested in the payment of money which another is bound by law to pay and who therefore pays it is entitled to be reimbursed by the other. 18

E.g: A tenant who pays arrears of rent which the Landlord is bound by law to pay and who pays it to avoid the forfeiture of his holding is entitled to recover it from the Landlord. 3) When something is done or goods supplied by a person without any intention to do so gratuitously, the other party who reaps benefit is bound to compensate or restore things so done or delivered. E.g: If a tradesman leaves goods not ordered at the house of the customer, the customer is bound to pay for the goods if he takes them. 4) A person who finds lost property may retain it subject to the responsibility of the bailee. 5) If money is paid or goods delivered by mistake or under coercion the payee or the recipient must repay or return it. 1.17 Question 1. Define Contract. State the essential elements of Contract. 2. "

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All agreements are not contracts, but all contracts are agreements." Ellucidate the statement explaining essential elements of a valid contract. 3.

Define Proposal, Offer and Acceptance. How is an offer communicated? What are the essentials of a valid acceptance? 4. What are the rules when offer is made through post office and over the telephone? 5. How and when may an offer and acceptance be revoked? 6. Explain with suitable illustrations the following statements: a) An offer is made when and not until it is communicated to the Offeree. b)

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A mere mental acceptance not evidenced by words or conduct

is in the eye of law no acceptance. c)

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Acceptance must be absolute and must correspond with the terms of the offer. 7.

Examine the following situations: a) P offers to sel I his goods to Q by a letter posted on March 1. Q receives the letter on March 3. Can P revoke the offer? b) N posts his letter of acceptance on March 4, M receives N's acceptance on March 6. Can N revoke his acceptance? c) Coffers a reward to whosoever shall do a certain act. D does the act not knowing of the advertised reward. Is C bound to pay the reward to D ?

19 d) A duly posts a letter of acceptance to B. But the letter gets lost in transit. What is the effect? e) X proposed by a letter through post to sell his house to Y. Y accepts the proposal by a letter sent by post. When can Y revoke his acceptance? 8. Define consideration. What are the essential elements of consideration? 9.

Explain the maxim "No consideration no contract". Are there any

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exceptions to the rule? 10. "A stranger to a contract cannot sue

to enforce the contract" Explain. 11. Distinguish between void, voidable and unenforceable contract with examples. 12. State that law in restraint of trade. Are there exceptions to the rule? 13. Define Wagering Contract. Is there any exceptions? 14. What is consent said to be free? Distinguish between coercion and undue influence. 15. Define and distinguish between fraud and misrepresentation. What remedies are available to the aggrieved party? 16. Explain the following statements: (a) "Mere silence as to facts is not fraud." (b) "A contract caused by mistake is void." 17. Examine the following cases:- (a) X

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agrees to buy from Y a certain dog. It turned out that the dog was dead at the time of the deal though neither party was aware of the

matter. What are the options available to X and Y? (b) P sells Q his house for Rs. 50,000. The house is blind in one eye but Q does not know of this defect until the sale is completed. Is P liable to Q on the ground of fraud? (c) M informs N that M's house is free from encumbrance although the house is subject to a mortgage. N thereupon buys the house what options have N got? 18. Explain what is meant by Contingent Contracts. Discuss the rules relating to Contingent Contracts. 19. Distinguish between Contingent Contract and Wagering Contract. 20. What is understood

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by performance of a contract? Under what circumstances a contract need not be performed? 21. Explain the

effect of refusal of a party to perform his promise wholly.

20 22. When is time the essence of a contract? 23. Discuss the circumstance under which a contract can be discharged or terminated by the consent of the parties. 24. What are the rules for determination of compensation payable in case of breach of contract? 25.

Explain the terms 'Penalty' and 'Liquidated Damages' clearly indicating the difference between them. 26. What is meant by 'Anticipatory Breach of Contract'? State the consequences of such breach. 27. What is meant by quasi contract? Cite examples of such contracts in detail.

21 Unit 2 ppppp

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4th Semester_Business Regulatory Framework.pdf (D165314949)

The Sale of Goods Act, 1930 Structure 2.1 Meaning of Goods 2.2 Sale and Agreement to Sell - Distinction 2.3 Condition and Warranty -

Distinction 2.4 Implied Conditions in a Contract of Sale 2.5 Implied Warranties in a Contract of Sale 2.6 Caveat Emptor 2.7 Passing of Property 2.8 Exceptions to the maxim 'Nemo dat quod non habet' 2.9 Right

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of an Unpaid Seller of Goods 2.10 Stoppage in Transit 2.11 Right of Resale 2.12

Consequences of Breach of Contract 2.13 Rules relating to Delivery 2.14 Questions 2.1 Meaning of Goods The term "Goods" includes every kind of movable property except (i) Actionable Claims and (ii) Money. Sec 2(7). An actionable claim means a debt or a claim for money which a person may have against another and which he may recover by suit. Money means legal tender money. These two types of movable property are not included in the definition of goods under the Sale of Goods Act. All other types of movable property are regarded as 'goods' under the Act.

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Goods may be classified into three types: Existing Goods, Future Goods and Contingent Goods. Existing Goods : Existing goods are goods which are already in existence and which are physically present in some person's possession and

ownership. Sec 6(1).

22 Existing goods may be either (i) Specific and Ascertained or (ii) Generic and Unascertained. Specific Goods are goods which can be identified and recognized as separate things e.g., a rare picture of a painter; a thing having distinctive features; goods

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Business Legislation Notes (Indian-Legal-System ... (D159771781)

identified and agreed upon at the time of contract of sale etc. ascertained Goods are

used in the same sense as Specific Goods. Generic Goods or Unascertained Goods are goods indicated by description and cannot be separately identified. If a grocer agrees to supply a bag of rice from his godown to a buyer,

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it is a sale of unascertained goods because it is not known which bag will be delivered. As soon as a bag is separated

out from the lot and marked or identified for delivery it becomes specific goods.

Future

Goods :

Future Goods are goods, which will

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be manufactured or produced or acquired by the seller after the making of the contract of sale. Sec 2(6). Example: A agrees to sell to B all the

apples, which will be produced in his orchard following year. This is regarded as an agreement for sale of future goods.

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Business Legislation Notes (Indian-Legal-System) (D159771781)

Contingent Goods : There may be a contract for the sale of goods, the acquisition of which by the seller depends upon a contingency, which may or may not happen.

Sec. 62).

In these cases, the goods sold are known as Contingent Goods. They fall within the class of future goods. [Sen & Mitra] Example : M agrees

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to sell to N a certain ring provided he is able to purchase it from its current owner. This is

case of agreement for sale of contingent goods. [Sen & Mitra] 2.2

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Sale and Agreement to Sell - Distinction When the property in the goods is transferred from the seller to the buyer, the transaction is one of sale. If the transfer in the property of the goods is to take place at a future date or subject to the fulfilment of certain conditions, the transaction is of an agreement to sell.

The

conditions have to be fulfilled by the buyer or the seller. Thus

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an agreement to sell becomes a sale on the fulfilment of the conditions or when the

time lapses. Distinction : 1. Particular and General Property: A sale is a contract plus conveyance and creates a jus in rem i.e. it gives a

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right to the buyer to enjoy the goods as against the world at large including the seller. An agreement to sell

is a contract pure and simple and creates a jus in personam i.e. it gives a right to the buyer or the seller against other parties for default in the fulfilment of the contract. 2. Nature of the

Contract :

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A sale is an executed contract while an agreement to sell is executory. 3. Risk of Loss: In

case of

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an agreement to sell, if the goods are destroyed the risk falls on the seller

while in case of sale, the risk falls on the buyer even though the goods may not be in his possession.
23 4. Failure to pay Price : In sale

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SA 4th Semester_Business Regulatory Framework.pdf (D165314949)

if the buyer fails to pay the price the seller can sue

for price
while in an agreement to sell, the seller can sue for non-acceptance. 5. Consequences of Breach: In an agreement to sell, if the seller has committed

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SA Business Legislation Notes (Indian-Legal-Syste ... (D159771781)

a breach, the buyer has a personal remedy i.e. a claim for damages. In sale, if the seller commits a breach, the buyer has a personal remedy

as well as a remedy of the owner i.e. suit for detention. He may follow the goods into the hands of a third party. 2.3 Condition and

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Warranty - Distinction A stipulation in a contract of sale of goods may be a condition or a Warranty.

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A condition is a stipulation essential to the main purpose of the contract, the breach of which gives the aggrieved party a right to treat the contract as repudiated. A Warranty, on the other hand, is a stipulation collateral to the main purpose of the contract, the breach of which gives the aggrieved party a right to claim for damages and not a right to reject the goods and treat the contract as repudiated. Whether the

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stipulation in a contract of a sale of goods is a condition or a warranty depends in each case upon the intention of the

parties and

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the construction of the contract. A stipulation may be a condition though it is called a warranty in the contract of

sale. A condition may be treated to be a warranty if the aggrieved waives the condition as a breach of warranty. If the

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contract of sale is not severable and the buyer has accepted the goods or any part thereof, the breach of condition must be treated as a breach of warranty.

A breach of warranty, however, cannot be treated as a breach of condition. 2.4 Implied Conditions

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in a Contract of Sale 1) Conditions as to Title : There is an implied condition on the part of the seller that : i) In case of sale, he has a right to sell the goods. ii) In case of an agreement to sell, he has a right to sell the goods at the time when the property is to pass. 2)

Sale of Description : When

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there is a contract for the sale of goods by description there is an implied condition that the goods shall correspond with the description. When the

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goods are sold by sample as well as by description the goods shall correspond both with the sample

and with the description. 3)

Sale of Sample :

When

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there is a contract for the sale of goods by

sample, the following conditions are implied. i)

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The bulk shall correspond with the sample. 24 ii) The buyer shall have reasonable opportunity of comparing the bulk with the sample. iii) The goods shall be free from any defect rendering them unmerchantable, which would not be apparent on reasonable elimination of the sample. 4)

Conditions as to Fitness or Quality : There is an implied condition as to fitness or quality for the purpose of the buyer under the following circumstances: i) When the buyer relies upon the skill and judgement of the seller. ii) Where by custom or usage of trade an implied condition of fitness is annexed to a contract of sale. iii)

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When the goods are sold by description, there is an implied condition that the goods

are fit for

sale. 2.5

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Implied Warranties in a Contract of Sale 1) The buyer shall have and enjoy quiet possession of the goods. 2)

There is an

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implied warranty that the goods shall be free from any charge or encumbrance in favour of the third party not known to the buyer before or at the time when the contract is made. 3)

The

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implied warranty as to fitness for a particular purpose may be annexed

to a contract of sale by custom or usage of trade. 2.6 Caveat Emptor Means "Buyers Beware". Ordinarily, a buyer must buy goods after satisfying himself about quality and fitness. He cannot put the blame on the seller or recover damages from him. U/s. 16, there shall be no implied conditions as to quality or fitness except under the following circumstances : 1) Condition as to title :

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There is an implied condition on the part of the seller that : i) In case of sale, he has a right to sell the goods. ii) In case of an agreement to sell, he has a right to sell the goods at the time when the property is to pass. 2)

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Sale by Description : When there is a contract for the sale of goods by description there is an implied condition that the goods shall correspond with the description.

When
the

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goods are sold by sample as well as by description the goods shall correspond both with the sample

and with the description. 3)

Sale by Sample :

When
there is

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a contract for the sale of goods by sample, the following conditions are implied : 25 i) The bulk shall correspond with the sample. ii) The buyer shall have reasonable opportunity of comparing the bulk with the sample. iii) The goods shall be free from any defect rendering them unmerchantable, which would not be apparent on reasonable examination of the sample. 4)

When the seller is guilty of fraud- In cases not falling under the above category the seller is not liable for any damages, if the goods are found to be unfit by the buyer. 2.7

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SA Business Legislation Notes (Indian-Legal-Syste ... (D159771781)

Passing of Property In case of sale of goods, property in the goods passes as and when it is intended by the parties concerned. The intention may be gathered from the conduct of the parties, the terms of the contract and the surrounding circumstances of the case.

But in cases where the parties fail to express or form their intention as to when the property is to pass

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the following rules are applicable. Specific Goods : 1) When there is an unconditional contract for the sale of specific goods in a deliverable state the property passes to the buyer as soon as the contract is made.

Ex.: A purchases on credit some books from a book shop. He makes an agreement with the shop owner that he will take delivery of the books after 7 days. But before the expiry of the stipulated day the books were burnt on account of a fire having broken out on the sixth day. A will have to bear the loss as the property in the goods had already passed into the buyer as soon as

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SA Business Legislation Notes (Indian-Legal-Syste ... (D159771781)

the contract was made. 2) When there is a contract for the sale of goods not in deliverable state the

property will not pass to the buyer until the
goods are

made ready for delivery. Ex.: X wishes to buy 500 litres of Kerosene from an Oil Co. An agreement to that effect was made that X would take delivery of the Kerosene after it had been filled and sealed in cans. When 200 cans had been filled and sealed the remaining part of kerosene suddenly caught fire. The Oil Co., will have to bear the loss for the remaining 300 litres. 3) When the seller is bound to weigh or measure for determining price in case of sale of . specific goods

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Business Legislation Notes (Indian-Legal-Syste ... (D159771781)

the property does not pass until the seller does the

incomplete work. Ex.: X agreed to buy barks of different trees the delivery, of which would be taken at a latter date. The price was settled and measurement was in progress. Suddenly, the remaining barks caught fire. The seller in this case will have to bear the loss for the remaining part as work on this part was yet to be performed.

26 4) When the buyer intimates his acceptance to the seller or retains without giving notice of retention the property naturally passes to the buyer. Ex.: A jeweller offered gold ornaments in sale or return basis to X. X pawned them to a third person. The action of X clearly justifies his intention of retention and so the property in gold ornaments belongs to X. Unascertained Goods : 1) In case of

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Business Legislation Notes (Indian-Legal-Syste ... (D159771781)

sale of unascertained goods by description if the goods are unconditionally appropriated to the contract property passes to the buyer. 2) In according to the contract the goods are delivered to the buyer without the reservation of the right of disposal the property passes to the buyer. 2.8

Exceptions to the maxim "Nemo dat quod non habet"

When

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goods are sold by a person who is not the owner or who does not sell them under the authority or with the consent of the owner the buyer acquires no better title to the goods than the seller had.

There are however certain exceptions to the rule. 1) Sale by

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mercantile Agent : When a mercantile agent is with the consent of the Owner in possession of the goods any sale by him

is valid. A bonafide buyer for value without notice gets a good title to the goods. 2) Sale by Co-owner : When one of the several joint owners of the goods is in

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possession of the goods by permission of the Co-owners the property in the goods may be transferred to any

bonafide buyer for value without notice that the seller had no authority to sell. 3) Sale obtained under voidable Contract :

When the seller obtains possession of the goods under voidable contract he can give a good title to a bonafied for value without

notice. 4) Sale by seller in possession after Sale : In case a seller is in possession of the goods after sale and resells it to another buyer who acts in good faith and without notice of the defective title in the goods, the buyer acquires a goods title. 5) Sale by buyer in

possession : When the person having bought or agreed to buy goods obtains

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possession of the goods with the consent of the owner, he

can give a good title to the goods to a bonafied buyer for value without notice. 2.9 Rights of an Unpaid Seller of Goods (Vendors Lien) An unpaid seller is a seller of goods who has not received the whole price of the goods sold or has received a negotiable instrument as conditional payment and which has been dishonoured on due date. The rights of an unpaid seller are (a) a lien on the goods while 27 they are still in possession (b) a right of stoppage in transit in case of insolvency of the buyer (c) might of resale. The unpaid seller of goods in possession of the goods

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is entitled to retain possession of the goods until payment of price in the following cases. i) Where the goods have been sold without stipulations as to credit. ii) Where the goods have been sold on credit but the term of credit has expired. iii) Where the buyer becomes insolvent.

If the unpaid seller has delivered a portion of the goods he has still a lien on the remaining goods.

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An unpaid seller loses his lien in the following circumstances : 1) When the

goods have been delivered to the buyer or carrier

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Business Legislation Notes (Indian-Legal-Syste ... (D159771781)

without reserving the right of disposal. 2) When the buyer or his agent has lawfully obtained possession of the goods. 3) By waiver.

The unpaid seller retains his lien even if he obtains a decree for the price of the goods. 2.10 Stoppage in Transit In case of insolvency

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of the buyer, the unpaid seller who has parted with the goods has a right of stoppage in transit

until payment of price. The validity of stoppage in transit depends on the following factors. i) The goods must be in transit. ii) The buyer must be insolvent. iii) The seller is not prevented by the provisions of this act from exercising the right. iv) When price has been unpaid either wholly or in part. The right of stoppage in transit is an equitable right which arises wholly from the insolvency of the buyer and is based on justice and equity that one person's goods should not be applied for the payment of another as has been decided in Narain Dass Vs. Official Assignee.

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The transit is at an end in the following cases : 1) When the buyer has taken delivery of the goods before reaching the destination. 2) When after reaching the destination the carrier intimates to the buyer

about keeping the goods on his behalf even if

they have been redirected to another place. 3) Where the carrier wrongfully refuses to deliver the goods to the buyer. 4) When the buyer has sent a ship chartered by him and the seller delivers the goods thereon this will be deemed to be a delivery. 5) When part delivery has been made by the seller he has a right of stoppage in transit over the remaining goods.

28 Distinction between Right of stoppage in transit and Right of Vendor's Lien : Right of stoppage in Transit Right of Vendor's Lien 1. Application to a buyer when he becomes insolvent. 2. Carrier in possession of goods. 3. Right to regain the goods by the seller. 1. Applicable to all whether solvent or not. 2. Seller in possession of goods. 3. Right to retain the goods by the seller. 2.11 Right of Resale Right of Resale arises : i) When the goods are of a perishable nature. ii) When the price has not been paid within a reasonable time after a notice of intention to resell has been served. iii) When the right of resale is expressly reserved in the contract. 2.12 Consequences of Breach of

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Contract 1) Suit for non Acceptance: When the buyer wrongfully refuses or neglects to accept the goods the seller may sue him for non acceptance

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of the goods. 2) Suit for non Delivery : When the seller wrongfully refuses or neglects to accept the goods the seller may sue him for non acceptance

of
the goods. 3) Specific Performance : The court may grant specific performance of the contract at its discretion at the suit of the buyer.
4) Remedies for Breach of Warranty :
In case of

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breach of warranty by the seller the buyer may. a) Set up against the seller the breach of warranty in diminution of the price. b) Set up the breach in extinction of the price. c) Sue the seller for damages for breach of warranty. 5)

Repudiation of the Contract: When

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either party repudiates the contract before the date of delivery the other party may either treat the contract as rescinded and sue for breach or wait till the date of delivery

and then sue for breach.

29 2.13 Rules Relating of Delivery Delivery means voluntary transfer of possession of goods from the seller to the buyer. It may be (i) actual (ii) symbolic and (iii) constructive. The delivery of the goods has to be made in accordance with the rules mentioned below : a) Payment and Delivery are Concurrent Conditions : Unless otherwise agreed, delivery of the

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goods and payment of the price are concurrent conditions. The seller must be willing to deliver the goods to the buyer while the buyer in turn must be willing to pay the price

for the goods
to the seller.

b) Effect of Part Delivery : Delivery of the part may be delivery of the whole if it is so intended and agreed but not otherwise. c) Buyer to apply for Delivery : Apart from any express contract

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the seller is not bound to deliver the goods until the buyer applies for

delivery. d) Place of Delivery : In the absence of any agreement

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goods sold are to be delivered at the place at which they are at the time of the contract and

if the contract

is for future goods the delivery should be at the place when they are produced. e)

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Goods in possession of Third Party : If the goods are in possession of a third party there is no delivery until such party acknowledges that he holds the goods on behalf

of the buyer.

f) Time of delivery : If no time limit is mentioned in

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Business Legislation Notes (Indian-Legal-System ... (D159771781)

the contract, the seller is under an obligation to send the goods to the buyer

within a reasonable time. g) Cost of Delivery : Expenses of making delivery are borne by the seller and expenses of obtaining delivery by the buyer. h) Tender

of Delivery :

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It is the duty of the seller to place the goods under the disposal of the buyer.

If the buyer is unwilling to take delivery the seller is excused from the performance and maintain a suit against the purchases. i) Delivery of wrong Quantity : (i) If the seller sends to

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Business Legislation Notes (Indian-Legal-Syste ... (D159771781)

the buyer a larger or smaller quantity of goods than he ordered the buyer may (a) reject them (b) accept them or (c) accept the quantity he ordered and reject the rest. [Section 37(2)] (ii) If the seller mixes with goods ordered goods of wrong description

and delivers them to the buyer,

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the buyer has the option to accept the goods ordered and reject the rest or reject the whole. [

Section 37(3)].

30 j) Delivery by Installment : Unless otherwise agreed, the contract must be treated as a whole and cannot be divided by either the seller or the buyer. However delivery by instalment may be agreed upon by the parties. k) Delivery to a Wharfinger or Carrier : If the goods are delivered to a carrier the seller is bound to enter into a reasonable contract on behalf of the buyer with the carrier for safe transmission of the goods. Goods delivered

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to a carrier or a wharfinger is prima facie deemed to be delivery to the buyer. 2.14

Question 1. Define

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goods. What are the different types of goods? 2. What is

meant by 'Caveat Emptor'? Are there any exceptions to its application in Sale of goods? 3. Distinguish between : a) Condition and Warranty b) Sale and Agreement to sell. 4. Explain the difference between condition and warranty. When can a condition be treated as a warranty? State the

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implied conditions and warranties in a contract of sale of goods. 5.

What are the rules of ascertaining the intention of the parties as to the time when the property in specific and unascertained goods is to pass to the buyer. 6. "No seller of goods can give the buyer of goods a better title to those goods than he himself has." Explain. 7. State the rules relating to delivery of goods. 8. What is meant by Vendor's Lien? How does it arise and how is it lost? Does a vendor have any power over the goods, which have passed from his possession? If so, why? 9. Distinguish between Vendor's right of lien and right of stoppage in transit. 10. When and under what circumstances can the seller exercise right of re-sale? 11. What remedies are available in the event of a breach of contract?

31 Structure 3.1 Definition and essential features of Negotiable Instrument 3.2 Distinction between Promissory Note, Bill of Exchange and Cheques 3.3 Different ways of crossing a Cheque 3.4 Holder and Holder in due Course 3.5 Inchoate Instruments 3.6 Inland and Foreign Instruments 3.7 Negotiation and Assignment 3.8 Endorsement 3.9 "Once a Bearer Instrument always a Bearer Instrument" - Discuss. 3.10 Discharge of parties from Liability 3.11 When presentment is not necessary 3.12 Maturity of a Bill 3.13 Material Alteration 3.14 Presumptions as to Negotiable Instruments 3.15 Dishonour of Negotiable Instruments 3.16 Notice of dishonour is not necessary 3.17 Noting and Protest 3.18 Circumstances in which a banker may refuse to honour cheques 3.19 Circumstances in which a banker must refuse to honour cheque 3.20 Questions 3.1 Definition and essential features of Negotiable Instrument "

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Business Legislation Notes (Indian-Legal-Syste ... (D159771781)

Negotiable" means transferable by delivery while "Instrument" means a written document by which a right is created in favour of a certain person." (Sen, Mitra P-289) Thus Negotiable Instrument means a document transferable by delivery. Under the N.I.

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Act 1881, negotiable instrument means a promisory note, bi ll of exchange or cheque payable either to bearer or to

order. Hundis, Dividend Warrants, Bill of Lading and similar documents are, however, not covered by this Act. Unit 3 ppppp The Negotiable Instruments Act, 1881
32

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The essential features of a Negotiable Instrument Are : 1) It must be in writing. 2)

It must be unconditional. 3) It must be payable after a certain future date or to order. 4) The Money must be paid to a specified person according to his order. 5) It must contain a promise

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to pay. 6) The sum to be paid must be certain. 7) It must be signed by the maker. 8) The maker must be definite and certain. 9) The payment must be in legal tender money of India. 10)

Ownership passes on delivery or on endorsement and delivery. 11) Holder in due course can sue upon it in name. 12) If holder has defect in title, holder in due course is exempted from defect. 3.2 Distinction between Promisory Note, Bill of Exchange and Cheques U/s of the N.I. Act 1881,

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a promisory note is a written instrument containing an unconditional undertaking signed by the maker, to pay a certain sum of money only to, or to order of a certain person, or to the bearer of the instrument. The person who makes the promise to pay is called the maker while the person who makes the promise to pay is called the maker while the person who received the money is called

the payee.
e.g. A Promises

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to pay Rs. 500 and all other sums which shall be due to Bis not a promisory note as the

amount payable
is uncertain. U/s 5
of the N.I

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Act 1881, a bill of exchange is a written instrument containing an unconditional order, signed by the maker, directing a certain person to pay a certain sum of money only to, or to order of a certain person or to the bearer of the instrument.

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MATCHING BLOCK 160/685

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The maker of the Bill of Exchange is called the Drawer. The person directed to pay is called the Drawee.

The person who receives the money is called the Payee.
U/s 6

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Sambalpur_MBA_SEM_2_Legal Aspects of Business_ ...
(D156214893)

of the N.I. Act 1881, a cheque is a bill of exchange drawn upon a specified banker and payable on demand. 33

Promisory Note Bill of Exchange 1.

Involvement of 2 parties Maker & Payee 1. Involvement of 3 parties - Drawer, Drawee & Payee 2. It must contain an order to pay 2. It must contain a promise to pay 3. The drawer is liable only when the drawee fails to make payment on due date 3. The maker is liable on the instrument 4. Acceptance of the drawee is necessary before it becomes binding on him. 4. It is signed by the person liable to pay. No acceptance is necessary. 5. Notice of dishonour to be given to all persons liable to pay. 5. Notice of dishonour is not necessary to the maker. Cheques Bill of Exchange 1. Bill of Exchange drawn on a specified bank 1. Bill of Exchange drawn on any person including bank. 2. Payable on demand. 2. Payable after 3 days from maturity. 3. Payment countermanded by drawer 3. Not so. 4. No stamps are required to be affixed. 4. Stamps to be affixed. 5. May be crossed. 5. Crossing not necessary. 6. Notice of dishonour to the drawer by the banker not necessary. 6. Notice of dishonour to be given. 7. No acceptance is necessary. 7. Acceptance required under special cases. 8. Not so. 8. Payable by installments. 9. Drawer discharged if he suffers damage due to delay in presentment. 9. Drawer discharge if not presented to the drawer for payment on due date. 3.3 Different ways of crossing a

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Cheque A Cheque is a Bill of Exchange drawn upon a specified banker payable on demand.

There are

two types of cheques - (1) Open Cheques (2) Crossed Cheques. An open 34 cheque is one which is payable in cash across the counter of the bank while a crossed cheque is one in which two parallel lines are marked across the face of the cheque. Such a cheque may be payable to another banker. The danger of unauthorised persons getting hold of such cheques and cashing it is restricted in the sense that such a cheque can be cashed through the bank in which the payee is a customer. There are two modes of crossing a cheque : (1) General Crossing (2) Special Crossing. General Crossing involves marking of two parallel lines across the face of the cheque. Such a cheque is payable through any bank where it is presented. Special Crossing involves specifying the name of the bank in between the two parallel lines marked across the face of the cheques. Such a cheque is payable through the bank named if it is presented for payment. There are, however, other ways in which payment can be restricted. This can be done by writing 'Ale Payee' or 'Not Negotiable' in between those line.' Ale Payee'

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means that the proceeds of the cheque must be credited to the account of the payee

in a bank where he has an account. 'Not Negotiable' on the other hand, represents transference or assignment by the payee. The transferee has the same rights as the transfer of in case of payment although his rights are quite different from the rights of a holder in due course. 3.4 Holder and Holder in due Course U/s 8 of the N.I. Act, a holder

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MATCHING BLOCK 164/685

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is a person entitled to the possession thereof and to receive or recover the amount due thereon from the parties thereto.

Every person legally entitled to the amount due on the instrument is termed as a Holder. U/s 9 of the N.I. Act, a Holder in due course is particular type of Holder if he satisfies the following conditions : 1) He became the holder of the instrument before maturity. 2) He has no reason

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to believe that any defect existed in the title of the person from whom he derived his title. 3)

He obtained the instrument for valuable consideration (Sen & Mitra, P-299). 3.5 Inchoate Instruments (Sec. 20) An Inchoate Instrument is a paper signed and stamped according to the Law of Negotiable Instruments either wholly blank or containing an incomplete negotiable instrument. When one person gives to another such a document, the latter is entitled to complete the document and make it into a proper negotiable instrument upto proper value.

35 The person who has signed the instrument is liable on it

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in the capacity in which he had signed to any holder in due course for such amount. 3.6

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A negotiable instrument made or drawn in India, and made payable in a drawn upon any person resident in India

is called an Inland Instrument. Inland Instruments are those which are (i) made or drawn in India (ii) payable in India or payable by any person resident in India. Foreign Instruments are those which are (i) made or drawn in India but are payable by a person resident outside India (ii) made or drawn outside India but are payable in India. It may be noted that Inland Instruments need not be protested for dishonour but Foreign Instruments may be protested for dishonour if the law of the country so provides. 3.7 Negotiation and Assignment When a note, bill or cheque is transferred by mere delivery it is said to be negotiated. Such an instrument if payable to bearer is negotiated by mere delivery while on the other hand, if it is payable to order it is negotiated by delivery as well as by endorsement. The holder has the same rights as the transferor. Assignment means the transfer of a right or an actionable claim by deed or otherwise. The assignee has the same right as the assigner. Negotiation Assignment 1. Consideration to be presumed. 1. Consideration to be provided. 2. Title of holder in due course bonafied and for value)

100% **MATCHING BLOCK 168/685** **W**

not affected by any defect in the title of the transferor. 2.

Title of assignee subject to defects if any in title of assignor. 3. Notice of transfer to debtor is not necessary. 3. Notice of assignment to debtor by assignee is essential. 4. Instruments payable to bearer negotiated by mere delivery while instruments payable to order negotiated by deli very and endorsement. 4. Assignment made by writing on instrument or transferring the transferor’s rights to the assignee on it.

36 3.8 Endorsement An Endorsement of a Negotiable Instrument means writing of a perosn’s name on it for the purpose of negotiation. The person who indorses the instrument is called the indorser and

46% **MATCHING BLOCK 169/685** **W**

the person to whom is it endorsed is called the endorsee. (Section 15) The essential of valid endorsements are : 1) It must be on the instrument. It there is no space on the instrument, the endorsement may be made on an attached slip of paper.

Such a slip is known as Allonge. 2) It

64% **MATCHING BLOCK 172/685** **SA** Business Legislation Notes (Indian-Legal-Syste ... (D159771781)

must be signed by the endorser for the purpose of negotiation. 3) It must be made by the

endorser either by signing his name on the instrument directing to pay the amount to a specified person. 4)

100% **MATCHING BLOCK 171/685** **W**

It must be completed by delivery of the instrument. The

following are the types of endorsement : 1. Blank or General : A blank endoresment is effected by the signature of the endorser on the face or back of the instrument. It specified no endorsee and consequently become payable to bearer. 2. Special or Ful I : When the endorser signs his name and directs

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to pay the amount mentioned therein to or to the order of a specified persons the endorsement is said to be full. (

E.g. Pay to Co-order Sci/ A) 3. Restrictive : The endorsement is said to be restriction when it prohibits further ne- gotiation of the instrument. E.g.1. Pay C for my use. 2. Pay C or order for the account of B. 3. Pay contents to Conly. 4. The within must be credited. 5. Conditional or Qualified - The endorsement is said to be conditional or qualified when it limits ornegatives the liability of the endorser. 6. Partial - The endorsement is said to be partial when it purports to transfer a part of the amount to the endorser. E.g A

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holder of a bill for Rs. 1000. He endorses it as pay B or order Rs. 500/- 37

Note : The following endorsements do not exclude the right of furthernegotiation by C and hence do not fall under the category of Restrictive endorsements. 1. Pay C value in account with Oriental Bank. 2. Pay the contents to C being part of the consideration in a certain deed of assignment exempted by C to the endorser and others. 3.9 "Once a Bearer Instrument always a Bearer Instrument" Discuss "If a Negotiable Instrument is endorsed in blank or is payable to bearer, it is a bearer instrument. The holder of such an instrument may negotiate it by delivery only. But suppose that the holder endorses it specially to a person and makes it payable to the order or such person. In such a case the

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endorser in fuJI can not be sued by any person except the person in whose favour

he indorsed it, but as regards all parties prior to the endorser in full, the instrument remains transferable by delivery. (Sec.55)" [Sen & Mitra, P-321]. E.g

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X, the payee of a bill, endorses it in blank and delivers it to Y.Y endorses it to Z or order. Z without any endorsement transfers

it to P. Pas the bearer is entitled to receive payment. In case of dishonour, Pis entitled to sue the drawer and the acceptor of the bill and also X, the endorser in blank and all endorsers prior to X. He cannot, however, sue Y or Z.

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Where a cheque is originally expressed to be payable to bearer, the draweee is

dis- charged

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MATCHING BLOCK 177/685

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by payment in due course to the bearer thereof notwithstanding any endorsement whether in full or in,

blank appearing thereon, and notwithstanding that any such endorsement purports to restrict or exclude furthernegotiation [Sec. 85(2)]. (Sen & Mitra, Page-321). 3.10 Discharge of parties from Liability i)

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Business Legislation Notes (Indian-Legal-Syste ... (D159771781)

By payment in due course - The instrument is discharged by payment in due course by the party who is primarily liable to pay.

The payment of the amount due on

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Business Legislation Notes (Indian-Legal-Syste ... (D159771781)

the instrument must be made at or after the maturity to the holder of the instrument. (

Section 85). ii) By party primarily liable becoming holder- The instrument is discharged

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Business Legislation Notes (Indian-Legal-Syste ... (D159771781)

if the maker of a note or accept or of a bill becomes its holder at or after maturity(

Section 61) iii) By cancellation or release - When the holder of Negotiable Instrument cancels the name of or releases any party to the instrument, the other party is discharged from the liability. [Section 82(b)].

38 iv) By allowing drawer more than 48 hours-when

82%

MATCHING BLOCK 181/685

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the holder of a bill allows drawee more than 48 hours exclusive of public holdings to consider whether he shall accept

it,

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all parties not consenting to such allowance are discharged from liability to him. v) By non-presentment of cheque -If a cheque is not presented

by the holder for payment within reasonable and as a result

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MATCHING BLOCK 183/685

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the drawer suffers damage through delay, he is discharged from liability.

vi) By parties not consenting discharged by

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(D156214893)

qualified or limited acceptance - If the holder agrees to qualified acceptance all prior parties not consenting to such acceptance are discharged from liability

to

him. vii) By Material Alteration - Material Alteration of an instrument renders it void against persons who were parties thereto. (Section 87) 3.11 When presentment is not necessary Presentment for acceptance is not necessary in the following cases : i) When the drawee cannot be found out even after due search. ii) When the drawee is a fictitious person or one incompetent to contract. iii) When although presentment is irregular, acceptance is refused on some other ground. Presentment for payment is not necessary in the following cases : i) When the maker, acceptor or drawee does something so as to intentionally prevent the presentment of the instrument. ii) When the business place is closed on due date before the usual business hours. iii) When there is no person to make payment at the place specified. iv) When he cannot be found after due search. v) When there is a promise to pay notwithstanding non-presentment. 3.12 Maturity of a Bill

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The maturity of a bill is the date on which it falls due. A bill which is payable on demand

becomes due immediately on presentation for payment. A

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bill which is not payable on demand becomes mature on the third day after the day on which it is expressed to be payable.

The three days are known as Days of Grace. The date of maturity of a bill is calculated in the following way. (Sec. 23 to 25). a) If it is payable a stated number of months after date or after sight it becomes payable three days after corresponding date of the month after the stated number of months.

39 b) If the month in which the stated number of months will terminate has no corresponding date, it becomes mature on the last day of the month. c)

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In calculating the maturity of a bill payable a certain number of days after date or sight,

the day on which it was drawn or presented for acceptance shall be excluded. d)

When the day on which a bill is at maturity is a holder the instrument shall be deemed to be due

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on the next preceding business day. E.g. A Negotiable Instrument dated 29th January 1981 is made payable at one month after date. The instrument is at maturity on the 3rd day after 28th February 1981. 3.13

Material Alteration A material alteration is one which i) alters the character or identity of the instrument. ii) alters the operation of the instrument. iii) alters the rights & liabilities of the parties to the instrument. It is immaterial whether the alteration is beneficial or prejudicial

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instances of material alteration are (i) alteration of the date (ii) alteration of the sum payable (iii) alteration of time and place of delivery (iv) alteration of the rate of interest (

v) addition of another place of delivery. However the following alterations do not vitiate the instrument. 1) Alteration made for the purpose of correcting a mistake. 2) Alteration, which is immaterial. 3) Alteration made

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to carry out the common intention of the parties. 4) Alteration made with the consent of the parties. 5) Alteration made before the instrument

is issued or has become available against any party thereto. Alterations although authorised by the Act are not material alteration e.g. a) Conversion of blank endorsement into a full endorsement. b) Filling blanks of inchoate instruments. c) Crossing of cheques. d) Qualified acceptance. Material alteration of the instrument renders it void against the person who is a party thereto before the alteration. 40 3.14

91%**MATCHING BLOCK 191/685****W**

Presumptions as to Negotiable Instruments The following presumptions as to Negotiable Instruments

can be made (Sec. 118). 1.

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Consideration : That every Negotiable Instrument was made, drawn, accepted, endorsed, negotiated or transferred for consideration.

This enables the holder to get a decree from the Court without any difficulty. 2.

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Date : That every Negotiable Instrument bearing a date was made or drawn on such date. 3. Time of acceptance : That every accepted Bill of Exchange was accepted within

area-sonable time of

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its date and before its maturity. 4. Time of Transfer : That every transfer of a Negotiable Instrument was made before its maturity. 5.

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Holder in Due Course : That every holder of a Negotiable Instrument is a holder in due course. 6. Stamp : That

lost Negotiable Instrument was duly stamped. 7. Order of Endorsements : That endorsements appearing on the

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Negotiable Instrument was made in the order in which they appear thereon. 8.

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Proof of Protest : In a suit upon an instrument, which has been dishonoured, the court on proof of protest presume the fact of dishonour until and unless such fact is disproved. (Sec. 119) 3.15 Dishonour of Negotiable Instruments A Negotiable Instrument

is dishonoured by non-acceptance. 1)
When it is not accepted by the drawer on presentment or

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where presentment is excused the bill is not accepted. 2) Where the drawee is incompetent to contract. 3)

When the acceptance is a qualified one.
A Negotiable
Instrument is

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dishonoured by non-payment when the maker of the note, the acceptor of the bill, the drawee of the cheque makes default in payment when required to pay the same.

Where

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an instrument is dishonoured by non-acceptance or non-payment the holder or party thereto liable thereon must give notice

that the instrument has been so dishonoured to all other parties whom the holder

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seeks to make liable. 41 3.16 Notice of dishonour is not necessary i) When it is dispensed with by the party entitled

there to. ii) In
case of a promisory note which is not negotiable.
iii)

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When the party charged could not suffer damages for want of notice. iv) When the party entitled to notice cannot be found after due search. v) When the

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party entitled to notice, knowing the fact promises unconditionally to pay the amount due on the instrument.

vi) To
charge the drawer when the acceptor is a drawer. vii) To charge the drawer when he has countermanded payment. 3.17 Noting and Protest When a bill of exchange or a promisory note

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has been dishonoured by non-acceptance or. non-payment the holder may cause such dishonour to be noted by

the Notary Public upon the

instruments. Noting is a preliminary step to protest. The Notary Public call upon the drawee or the acceptor to pay the bill and on refusal notes the bill. Noting must contain (i) the fact of dishonour (ii) the date of dishonour (iii) the reasons for dishonour (iv) noting charges. Although noting has no legal effect, it has the following advantages. 3.18 Circumstances in which a banker may refuse to honour cheques 1) When the bank has a claim for a set off or lien on the funds of the customer. 2) When there are insufficient funds in the customer's account to honour a cheque. 3) When the cheque has not been presented within the usual banking hours. 4) When a post dated cheque has been presented for encashment. 5) When the cheque is irregular or materially i.e. contains makers of erasers or is overwritten or otherwise does not conform to the rules of the bank. 3.19 Circumstances in which a banker must refuse to honour cheque 1) When the customer informs the banker to stop payment. 2) When the customer becomes insolvent. 3) When the banker receives notice of customer's insanity or death. 4) When the court serves a garnishee order or attaching funds of the customers in exception of the customers in exception of 5) When the customer informs the banker that the cheque is lost. 42 3.20 Questions 1. Define Negotiable Instruments with examples. What are the essential features of a Negotiable Instrument? 2. Distinguish between : a) Promisory Note and Bill of Exchange b) Bill of Exchange and Cheque c) General and Special Crossing of Cheques d) Inland and Foreign Instruments e) Holder and Holder in due course 3. Is the following a promisory Note? "I

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SA MBA SEM-I Business Law.pdf (D142212465)

promise to pay X Rs. 5,000/-and all other sums which shall be due to him." 4.

What is

the difference between Negotiation and Assignment? 5. Discuss the rules regarding Endorsement. 6. 'Once a bearer instrument always a bearer instrument' Elucidate. 7. Examine the different modes of discharge of liability of parties to a negotiable instrument. 8. What are the cases when a Negotiable Instrument need not be presented for payment? When is a negotiable instrument said to be dishonoured. 9. Discuss the rules relating to the maturity of negotiable instruments. 10. Write notes on : Presentment for payment, Material Alteration. 11. Enumerate the presumption, which shall be made with reference to negotiable instruments. 12. a) A promisory note, executed on January 31, 2002 is made payable one month after date. When does the note become payable? b) A negotiable instrument dated 29th January 2005 in made payable at one month afterdate. When will the instrument mature? c) X gets hold of Y's cheque book, forges Y's name on a cheque. X obtains money from Y's bankers by presenting the forged cheque and then disappears. Who bears the loss, Y or the banker? Explain. 13. When a bill of exchange is said to be dishonoured? When is notice of dishonour unnecessary? Distinguish between: 14. a) Noting and Protest b) Dishonour by Non Acceptance and Non Payment. 43 Structure 4.1 Essential features of a Company 4.2 Types of Companies 4.2.1 One man Company 4.2.2 Holding & Subsidiary Company 4.2.3 Private Company & Public Company 4.2.4 Government Company 4.2.5 Foreign Company 4.3 Privileges of Private Companies 4.4 Circumstances when

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a Private Company becomes a Public Company 4.5 Circumstances when a Public Company becomes a Private company 4.6

Reduction in Legal Minimum 4.7 Non-Profitable Concern 4.8 Illegal Association 4.9 Definition of Memorandum 4.9.1 Contents of the Memorandum 4.9.2 Alteration of Conditions 4.10 Definition and Contents of Article 4.10.1 Alteration of Articles of Association 4.10.2 Effect of the Articles 4.11 Memorandum Vs. Articles of Association 4.12 Doctrine of Indoor Management 4.13 Procedure for Registration of a Company 4.13.1 Preliminary or Pre-Incorporation Contracts 4.14 Definition

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of Prospectus 4.14.1 Contents of the Prospectus 4.14.2 Mis-statements in Prospectus and their consequences 4.15 Statement in lieu of Prospectus

Unit 4 ppppp The Companies Act, 1956

44 4.16 Minimum Subscription 4.17 Restrictions as to Allotment 4.17.1 Return of Allotment 4.18 Commencement of Business 4.19 Kinds of Share Capital 4.20 Voting Rights 4.21 Variation of Shareholders' Rights 4.22 Alteration of Share Capital 4.23 Reduction of Share Capital 4.24 Further Issue of Capital i.e. Rights Issue 4.25

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Issue of Shares at a Premium 4.25.1 Issue of Shares at a

Discount 4.26 Purchase of the Company's Own Share 4.27 Redeemable Preference Shares 4.28 Call on Shares 4.29 Forfeiture of Shares 4.30 Lien on Shares 4.31 Surrender of Shares 4.32 Stock Vs. Shares 4.33 Share Certificate and Share Warrant 4.34 Member 4.34.1 Member Vs. Shareholder 4.34.2 Cessation of Membership 4.34.3 Register of Members 4.35 Transfer & Transmission of Shares 4.36 Statutory Meetings and Statutory Report 4.37 Annual General Meeting 4.38 Extra Ordinary General Meeting 4.39 Company Law Board 4.40 Rules Regarding Meetings 4.41 Ordinary / Special Resolution

45 4.42 Resolution Requiring Special Notice 4.43 Minutes 4.44 Annual Return 4.45 Who is a Director? 4.45.1 Appointment of Director 4.45.2 Share Qualification of Directors 4.45.3 Disqualification of Directors 4.45.4 Vacation of Office of Director 4.46 Removal of Directors 4.47 Powers of the Board of Directors 4.48 Remuneration of Directors 4.49 Loans to Directors 4.50 Contracts in which a Director is interested 4.51 Office of Profit of Director 4.52 Sole Selling Agent 4.53 Managing Director - Appointment, Disqualification and Time Limit 4.54 Who is a Manager? 4.55 Prevention of Management by Undesirable Persons 4.56 Books of Account 4.56.1 Annual Accounts and Balance Sheet 4.57 Board's Report 4.58 Appointment of Auditors 4.58.1 Qualification/ Disqualifications of an Auditor 4.58.2 Rights and Powers of Auditors 4.58.3 Duties of Auditors 4.58.4 Special Audit 4.58.5 Cost Audit 4.59 Remedies of Debenture Holders 4.60 Fixed & Floating Charges 4.60.1 Registration of Charges (Sec. 125) 4.61 Loan to Companies (Sec. 370) 4.62 Investment in other Companies (Sec. 372) 4.63 Compromise or Arrangements 4.63.1 Reconstruction (Sec. 394) 4.63.2 Acquisition of Shares of Dissenting Shareholders (Sec. 395) 4.63.3 Amalgamation in National Interest (Sec. 396) 4.64 Prevention of Oppression and Management 4.65 Grounds of Compulsory Winding-up by the Tribunal (Sec. 433) 4.66 Who may Petition (Sec. 439) 4.67 Powers of the Court on hearing Petition (Sec. 443) 4.68 Powers of the Liquidator (Sec. 457) 4.68.1 Duties of the Liquidator 4.69 Contributories 4.70 Voluntary Winding-Up 4.71 Declaration of Solvency (Sec. 488) 4.72 Procedure of a

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Voluntary Winding-up 4.72.1 Winding-up Subject to Supervision of the Court 4.72.2 Consequences of Winding-up 4.73

Preferential Payment (Sec. 530) 4. 74 Defunct Companies (Sec. 560) 4. 75 Questions 4.1 Essential features of a Company 1) Existence : Registration essential under Companies Act. 2) Minimum Requirement for Formation : 2 (Private), 7 (Public). 3) Maximum Requirement : Any number (Public), 50 (Private). 4) Legality : Single person by law, legal personality. 5) Contract : Shareholder permitted to enter into contracts with Company and can also be an employee. 6) Management : Managed by Board of Directors wholetime Directors, Managing Director or Managers. Shareholder not allowed to participate. 7) Succession : Perpetual succession not affected by death or insolvency of member. Terminated when liquidated.

47 8) Liability of Members : Limited. 9) Creditors : Not creditors of individual shareholders. Decree obtained is executed against assets but not against any shareholder, 10) Transfer : Shareholder entitled to transfer share. Transferee becomes a member of the company. 11) Obligation : Compliance with statutory obligations e.g. filing balance sheets, maintaining proper books of accounts and registers. 12) Common Seal : A must for a company. 13) Registered Office : A must for a company. 14) Capital : A must for a company. 15) Residing : Though a company has residential status for taxation purposes it does not possess any fundamental right. 16) Not a Citizen : Though a company is an artificial person, it is not a citizen. It may have a Domicile Status. 17) Social Objectives : A company is not the property of the shareholders. The company is a social institution having duties and responsibilities towards the community its workers the national economy and progress. 4.2 Types of Company 4.2.1

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One Man Company This is a company in which one man holds the whole of

the

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share capital and in order to meet the statutory requirement of minimum number of members some dummy members

who are mostly relatives or friends hold one or two shares each. The dummy members are nominees of the principal shareholder who is the virtual owner of the business and who carries it on with limited liability. e.g: A private company is registered with a share capital of Rs. 5,00,000/- (5,000 shares of Rs. 100 each) of these shares 4,999 are held by A while the remaining one share is held by As wife B. This is a one-man company. 4.2.2 Holding & Subsidiary Company Holding Company A Company controlling the policies of another company (i) through ownership of the latter's shares or (ii) through control over the composition of Board of Directors is called a Holding Company.

48

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Subsidiary Company A Company is considered to be a subsidiary of another if (i) control over the composition of Board of Directors is exercised by that other; (ii) more than half

the nominal value of equity capital of the company is held by that other; (iii) it is an existing company where the preference share holders have the same voting rights as equity shareholders (iv) it is a subsidiary of a company which is subsidiary of another. e.g: If Company A has a subsidiary B and B has a subsidiary C then C is the subsidiary of A. Similarly

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if Company Dis a subsidiary of Company C, then Company D will be a subsidiary of Company B and consequently of Company A.
4.2.3

Private Company & Public Company Private Company 1. Membership : Minimum - 2, Maximum- 50 Public Company 1. Membership : Minimum-7, Maximum any number. 2. Transfer : Share transfer restricted if such provisions are contained in the regulations. 2. Transfer : No such restrictions. 3. Purchase of Shares : Invitation to the public for purchase of shares and debentures cannot be made. 3. Purchase of Shares : Can be made. 4. Words : Addition of words "Private Limited" at the end of its name. 4. Words : No such question. 5. Privileges : Enjoyed only by private companies. 5. Privileges : Not so in case of public companies. 4.2.4

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Government Company A Government Company means any company in which not less than 51 % of the paid up share capital is held by the Central Govt. or by

both (Sec. 617). The following rules are applicable to

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Government Companies: 1) The auditor of a Government Company is appointed or reappointed by the Central Govt. on the advise of the Comptroller & Auditor General of India [Sec. 6192]. 2)

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MATCHING BLOCK 216/685

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The auditor of a Government Company is required to submit a copy of the audit report to the Comptroller & Auditor General of India who has the right to comment 49 upon or supplement the audit report [

Sec 619(4)). Any such comments upon or supplement to the

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audit report must be placed before the annual general meeting of the company [

Sec 6195)]. 3) Where the Central Govt. is a member of a Government Company, an annual report on the working and offers of the company must be prepared within 3 months of its annual general meeting before which the audit report is placed. The annual general meeting before which the audit report is placed. The annual report must also be placed before both Houses of Parliament

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together with a copy of the audit report and any comments upon or supplement to

the audit report made by the Comptroller & Auditor General of India (Sec. 619A). Likewise where a State Govt. is a member of a Government Company, a copy of the annual report must be placed before the I-louse or both Houses of the State Legislature

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together with a copy of the audit report and any comments upon or supplement to. 4.2.5

Foreign Company U/s 5912) of the Act,

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where not less than 50% of the paid up share capital (whether equity or preference or partly equity and partly preference) of a foreign company (Company incorporated outside India) having an established place of business in India is held by one or more citizens

of India and/or by one or more Indian companies singly or jointly, such company shall be treated as an Indian company. The following rules are applicable to foreign companies : U/s 592, every foreign company

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must within 30 days of the establishment of place of business file with the Registrar of Companies :

i) A certified copy of the charter, stature, Memorandum and Articles

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3 B.COM _ IV SEM _ 22DCBGL43 Company Law.pdf (D143464602)

of the Company and if the instrument is not in English a certified translation thereof. ii) Full address of the registered or principal office of the Company. iii) A list of the directors and secretary of the company.

iv) Names, address of any person

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MATCHING BLOCK 232/685

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MBA-401 Business Law.pdf (D164737585)

or persons resident in India, authorised to accept on behalf of the company service of process and notices required to be served on the

company. v) Full address of the principal place of business in India. If any alteration is made or occurs

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MATCHING BLOCK 224/685

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in any of the particulars aforesaid, the company is required to file with the Registrar a return of such alterations within the prescribed time (

Sec 593).

50 4.3 Privileges of Private Companies 1) Prospectus or Statement in lieu of prospectus : Filing not compulsory. 2) Allotment of Shares : Before subscribing minimum amount of share capital, shares may be allotted. 3) Number of Directors : Required by private companies 2 (min.). 4) Rules relating to Directors : Less stringent. Share qualification of Directors not applicable. Loan to Directors can be given. Consent of Director not required to be filed with Registrar. Restrictions with regard to Managing Directors - appointment does not arise. Directors may participate in Board meeting inspite of being personally interested in contracts etc. 5) Statutory Meeting and Statutory Report : Not necessary to hold Statutory Meeting or file Statutory Reports. 6) Managerial Remuneration : Overall maximum Managerial Remuneration inapplicable. 7) Commencement of Business : Immediately on incorporation. Not to wait for Certificate of Commencement of Business. 8) Number of Members : 2 only. 9) Issue of new shares : No such provision to offer new shares to existing equity shareholders on pro-rata basis. 10) Purchasing Company's own Share : Possible by a person availing of financial assistance. 11) Procedure at Meetings : Relaxed. 12) Appeal against Transfer : Shareholder possesses no right of appeal against refusal to transfer shares by the Board of Directors. 4.4 Circumstances when a Private Company becomes a Company 1. Where default is made by

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MATCHING BLOCK 225/685

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a private company in complying with the essential requirements of a private company,

the company ceases to enjoy the privileges of a Private Company (Sec.43). 2.

88%

MATCHING BLOCK 226/685

W

Where not less than 25% of the paid up share capital is held by one or more bodies corporate,

the private company becomes by virtue of Sec 43A

86%

MATCHING BLOCK 227/685

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a Public Company on and from the date on which the aforesaid percentage is held

by such body or bodies corporate [Sec 43A(l)].

51 The Articles of Association of a Private Company which has become public company may continue to have the essential requirements (restriction on transfer of shares, limitation of the number of members to 50, prohibition of the invitation to the public to buy shares or debentures) which make it a private company. Such a company

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MATCHING BLOCK 228/685

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may continue to have two directors and less than seven members [

Proviso 1 to Sec 43A(i)]. In computing the aforesaid percentage, no account is taken of the shares of the company held by a banking company on trust or as executors [Proviso 2 to Sec 43A(i)]. The following Private Companies do not become Public Companies : a) A Private Company of which the entire paid up share capital is held by another private company or by one or more bodies corporate incorporated outside India. b) A Private Company in which shares are held by one or more bodies corporate incorporated outside India if the Central Govt. so directs by order. c) Any other private company if but only if the following conditions are satisfied : (i) That the body corporate or each of the bodies corporate holding shares in the private company is itself a private company. (ii) That no share of a shareholding company is held by a body corporate. (iii) That the total number of share holders of the shareholding company or companies does not exceed 50 [Sec 43A(6)]. Within 3 months from the date on which a private company becomes a public company it must inform the Registrar that it has become a public company. Thereupon

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MATCHING BLOCK 229/685

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the Registrar shall delete the word "Private" before the word "Limited" in the name of the Company upon the Register. He shall also make the necessary alterations in the certificate of incorporation

and its Memorandum.

If a

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MATCHING BLOCK 230/685

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company makes default in comply with this provision, the company and every officer of the company who is in default is punishable with fine which may extend upto Rs. 500/- for every day during which the default continues [

Sec 43A(2)].

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MATCHING BLOCK 231/685

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A private company, which has become a public company by virtue of Sec 43A

continues to be a public company until it has

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MATCHING BLOCK 233/685

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the approval of the Central Govt. and in accordance with the Companies Act again become a private company [

Sec 43A(4)]. If a private company alters its Articles so that they do not contain the provisions, which make it, a private company ceases to be a private company from the date of the alteration. It must file with the Registrar within 30 days either a prospectus or a statement in lieu of prospectus. When this is done, the company becomes a public company (Sec.44).

52 3)

56%

MATCHING BLOCK 234/685

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Where the average annual turnover of a private company, is not, during the relevant period, less than such amount as prescribed, the private company shall,

irrespective of its paid - up share capital, become,

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MATCHING BLOCK 235/685

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on and from the expiry of three months from the last day of the

relevant period during which the private company had the aforesaid average annual turnover, a

public company by virtue of Section 43 A(I A). A private company also accepting public deposits will become a public company and thereupon all the provisions of this section shall apply. 4.5 Circumstances when a Public Company becomes a Private Company 1) There must be a special resolution altering the articles which (

77%

MATCHING BLOCK 236/685

W

a) restricts the right of the members of transfer their shares (b) limits the number of its members to 50 (c) prohibits any invitation to the public to subscribe for any shares

in or debentures
of the company [

Sec.316)]. 2) After the resolution is passed by the company, it must be approved by the Central Govt. 3) The company must file

82%

MATCHING BLOCK 237/685

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a copy of the altered articles to the Registrar within one month of the

Central Govt.'s approval. 4.6 Reduction in Legal Minimum (Sec 45) If the number of members of a Public Co. is reduced below 7 and that of a private Co. below 2

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MATCHING BLOCK 238/685

W

and the company carries on business for more than 6 months while the number is so reduced, every person who remains a member after 6 months and is aware of the fact of shortage of members shall be personally liable for all the debts of the company contracted during that time. 4.7

Non-profitable Concern (Sec 25) Under a licence granted by

54%

MATCHING BLOCK 239/685

W

the Central Govt., registration of associations is permitted not for profit with limited liabilities without using the word "limited" or words "private limited" to their

names. An association not for profit is

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MATCHING BLOCK 240/685

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a company formed for promoting commerce, art, science, religion, charity or any other useful object and

which does not intend to pay

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MATCHING BLOCK 241/685

W

any dividend to its members but to apply its profits or other income

in promoting its
objects.
On registration,

66%

MATCHING BLOCK 242/685

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the association enjoys all the privileges of a limited company and is subject to all its obligations except in respect of those of which 53 exemption is granted by the Central

Govt. The Central Govt. may at any time revoke the licence whereupon the company loses all exemptions and privi leges and must publish its name with 'Limited' or 'Private Limited'. 4.8 Illegal Association (Sec 11)

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MATCHING BLOCK 243/685

W

An association of more than 10 persons carrying on business in banking or an association

of

96%

MATCHING BLOCK 244/685

W

more than 20 persons carrying on any other type of business must be registered under the Companies Act.

If not registered, it is deemed to be an illegal association. It has no legal existence. It cannot enter into contracts and cannot sue its members or outsiders for money. Every member is personally responsible for all debts incurred by the association and liable to be prosecuted in the criminal courts and fined upto Rs. 1,000/-. These rules do not apply to a Joint Hindu Family Firm. 4.9 Definition of Memorandum The Memorandum of Association is a basic document, which contains the fundamental rules regarding the constitution and activities of a company. 4.9.1 Contents

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of the Memorandum The Memorandum of every company must state : i) The name of the company with "limited" or "private limited" as the last word depending whether the company is a public or private limited

one. ii)

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The State in which the registered office of the company is to be situated. iii) The objects of the company

classified as :

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MATCHING BLOCK 246/685

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a) The main objects of the company. b) Objects incidental to the attainment of the main object. c) Any other objects of the company. iv) In case of a company

limited by
shares
or guarantee
that the liability of
its members is limited. v)

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MATCHING BLOCK 248/685

SA

EBSL605 (1).docx (D142458880)

The amount of share capital with which the company is to be registered and the division thereof into shares of a fixed amount. The

Memorandum concludes with an Association Clause, which states that the subscribers desire to form a company and agree to take shares in it. I Name Clause

A
company cannot be
registered by

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COMPANY LAW - Dr.C.Sahila.pdf (D142738127)

name, which in the opinion of the Central Govt. is undesirable i.e. if it is either. 54 i) Two similar to the name of another company or.

ii) Misleading [Sec. 20(1)].

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MATCHING BLOCK 257/685

SA EBSL605 (1).docx (D142458880)

Every Company must paint or affix its name and address of its registered office and keep the same affix or affixed on the outside of every office or place in which

the business is carried on in a conspicuous position in letters easily legible [Sec. 147(1)]. l Registered Office Clause (Sec. 146)

82%

MATCHING BLOCK 250/685

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Notice of the situation of its registered office and of every change must be given to the Registrar within 30 days after the date of incorporation of the Company or after the date of change.

l Objects Clause Every company must state :

67%

MATCHING BLOCK 251/685

W

a) Main objects of the company to be pursued after incorporation and objects incidental or ancillary to the attainment of the main objects. b) Any other objects of the Company not included in

the above clause. 4.9.2

Alteration of Conditions i) Change of Name (Sec 22) :

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If through inadvertence or otherwise a company is registered by a name which in the opinion of the Central Govt. is identical with or very nearly

simi Jar to

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the name of another company, the company may by ordinary resolution and with the previous approval of the Central Govt. change its name.

It is obligatory on the company to change the name within 12 months of its registration if the Central Govt. so directs. The Company must by ordinary resolution change its name within 3 months of the date of such direction.

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If default is made by the company, then the company and every officer of the company who is in default shall be punishable with fine which may extend to Rs. 100 for every day during which the default continues.

ii) Change

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of Registered Office from One State to another and objects (Secs, 17-19) : A company may alter the provisions of the memorandum so as to change the place of its registered office from

one state to another

or

its object clause in order that it may: i)

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Carry on its business more economically. ii) Attain its main purpose by new or improved means. iii) Enlarge

its

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local area of operation. 55 iv) Can-yon some business, which may be advantageously combined with the business of the company. v) Restrict or abandon any of the objects mentioned in the memorandum. vi) Sell the whole or any part of the business. vii) Amalgamate with some other company.

The following formalities have to be completed so as to make the change of the memorandum effective : 1) Notice to be given to the Registrar and others concerned. 2) Consent of Creditors taken. 3) Special Resolution passed. 4) Sanction of the Company Law Board obtained. 5) Certified copy of the Company Law Board order together

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with a printed copy of the altered memorandum to be filed with the Registrar within 3

months.

The Registrar is required to register them and issue a certificate.

It should however, be noted that under section 17(A) of the companies (Amendment) Act, 2000 (w.e.f. 1.3.2001) 1)

89%

MATCHING BLOCK 261/685

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No company shall change the place of its registered office from one place to another within a state unless such change is confirmed by the Regional Director. 2) The company shall make an application in

the prescribed form to the Regional Director for confirmation under sub-section(I). 3) The confirmation referred to in sub Sec(I),

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MATCHING BLOCK 260/685

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shall be communicated to the company within four weeks from the date of receipt of application

for such change. 4.10 Definition and Contents of Articles The Articles of Association is a document containing rules regarding the internal management of the company. Articles must not violate any provision of the memorandum or Companies Act. The rules laid down in the articles must always be read subject to the rules contained in the memorandum. Articles usually contain the following matters: 1) Share Capital, Shareholders' rights and their variations, payment of commissions, share certificates &

76%

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SA 3 B.COM _ IV SEM _ 22DCBGL43 Company Law.pdf (D143464602)

share warrants. 2) Lien on Shares. 3) Calls on Shares. 56 4) Transfer of Shares. 5) Transmission of Shares. 6) Conversion of Shares into stock. 7) Alteration of Capital. 8) General meetings and proceedings

threat. 9) Voting rights of members, voting and poll, proxies. 10) Directors, their appointment, remuneration, qualifications, powers and proceedings of the Board. 11) Manager/Secretary. 12)

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MATCHING BLOCK 264/685

SA MBA-401 Business Law.pdf (D164737585)

Dividends and Reserves. 13) Accounts and Audit. 14) Capitalization of Profits. 15) Borrowing powers. 16) Winding up. 4.10.1 Alteration of Articles of Association

Articles of Association may be altered by a Special Resolution. Although alteration is permis-sible, there are certain restrictions imposed on its nature and extent. 1) No alteration will be permitted if it violates the provisions laid down in the Companies Act. 2) No alteration will be permitted if it contravenes the provisions contained in the memoran-dum. 3) The alteration should not contain anything illegal. 4) The liability of the members or any class of members cannot be increased without their consent. 5) Alteration of certain provisions of articles requires the previous sanction of the Central Govt. 6)

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MATCHING BLOCK 263/685

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The alteration must not constitute a fraud on the minority. The majority

must not do anything, which affects the interest of the minority. 7) Any alteration made bonafied, in the interests of the Company shall be valid and binding even though it affects the private interests of the members (Sidebottom Vs. Kershaw).

57 8) Alteration comes into force with retrospective effect (Allen Vs. Gold Reefs). 9) The Court cannot order rectification of articles on the ground of mistake but it can declare a particular clause ultra vires (Scott Vs. Frank Scott Ltd.) 10) Any alteration,

75%

MATCHING BLOCK 265/685

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which has the effect of converting a public company into a private one, shall not

have the effect unless it is approved by the Central Govt. 4.10.2 Effect of the Articles

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The memorandum and articles shall bind the company and the members thereof to the same extent as if they respectively had been signed by the company and each member and contained covenants on their part to observe them. The

effect is as follows : a) Members to Company : As between the members and the company each member is bound to the company by statutory covenant. The company can enforce the articles against any member. b) Company to Member : The memorandum and articles bind the company to its members in the sense that

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MATCHING BLOCK 267/685

SA MBA-401 Business Law.pdf (D164737585)

the company is bound to individual members in respect of their rights as members.

Thus

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MATCHING BLOCK 268/685

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any member can sue the company to prevent any breach of articles, which would affect his rights as a member.

c) Members to Members : As between members inter se the memorandum and the articles bind each member to the other or others on the assumption of an implied covenant bound by them. When a member complains of a breach by another member the suit can be brought by the company and not by the individual member whose rights are infringed. But when the person or persons against whom relief is sought, control the majority of shares and will not allow an action to be brought

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MATCHING BLOCK 272/685

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in the name of the company, an aggrieved member may sue in his name.

d) Effect on Outsiders : Since the memorandum and articles are registered, any

90%

MATCHING BLOCK 269/685

W

person dealing with the company is deemed to have constructive notice of their contents. But this

does not

100%

MATCHING BLOCK 270/685

W

mean that outsiders are deemed to have notice of the internal affairs of the company. 4.11

Memorandum Vs. Articles of Association Memorandum Articles I. It is the fundamental charter of the company determining its constitution and objectives. I. They are rules regarding internal management.

58 Memorandum Articles 2.

Every company must have its memorandum. 2.

77%

MATCHING BLOCK 271/685

W

A company limited by shares need not have its Articles for in such a case Table A applies. 3. There are strict restrictions

on the alteration of the memorandum. Sanction of Central Govt. and Court are required for object and Liability Clauses. 3. Articles may be altered by a special resolution to any extent for the benefit

43%

MATCHING BLOCK 273/685

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of the company. 4. It is the supreme document. 4.They are subordinate to the memorandum. If there is a conflict between Articles and the Memorandum,

the latter shall prevail. 5.

84%

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Any act of the company, which is ultra vires the Memorandum, is wholly void and cannot be ratified even by the shareholders. 5. Any act of the company, which is ultra vires the Articles, can be confirmed by the Shareholders. 4.12

Doctrine of Indoor Management When the Articles of Association prescribes a particular method for doing a thing, the duty of carrying it out lies on the person in charge of the management. Outsiders may assume the rules to have been complied with. This is known as the Doctrine of Indoor Management. The Articles of the Company provided that the Director could give bonds if authorised by the resolution of a company. For example, the Directors gave a bond to T although no resolution was passed. Held T was entitled to assume that the resolution was passed and the company was not bound by the bond (Royal British Bank Vs. Turquand). Exceptions : 1) Where the act is void ab initio, the company is not bound e.g. an act ultra vires the memo or articles. 2)

100%

MATCHING BLOCK 274/685

W

Where a person dealing with the company could discover the irregularity

if he had made proper inquiries, the company is not bound. 3) If an agent of the

89%

MATCHING BLOCK 278/685

SA Ravinder Kumar - Legal Aspects Of Business, 4E ... (D142409269)

company enters into a contract with a third party and if the act of 59 an agent is beyond the scope of his authority the company is not bound.

Held in Kredit Bank Cassel Vs. Schenkers Ltd.

that the company was not bound, as the branch manager had no authority to draw and endorse bills of exchange on behalf of the company. 4.13 Procedure for Registration of a Company (Secs. 33, 35)

62%

MATCHING BLOCK 276/685

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The following documents along with the requisite fees have to be filed before the Registrar of

Companies

91%

MATCHING BLOCK 277/685

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of the State in which the registered office of the company seeks to be situated. i) Memorandum of Association duly signed by the subscribers (

at least 7

66%

MATCHING BLOCK 279/685

SA 346E1250_Legal Environment of Business.pdf (D165203702)

in case of Public Companies and 2 in case of Private Companies). ii) Articles of Association

duly signed by subscribers to the Memorandum. iii) Statement of nominal capital and a certificate from the controller of Capital Issues have to be filed with the Registrar. iv) Names of directors who have consented to act as directors. v) Written consent from the directors to act in that capacity. vi) Declaration from any of the following persons stating that all requirements relating to registration have been complied with - Advocate, Attorney, Pleader, Chartered Accountant, Person named in the Articles as Director, Manager or Secretary. When

58%

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the Registrar is satisfied that all requirements of registration have been complied with, he will register the company and issue a Certificate

of Incorporation. The Company thus comes into existence from the date of incorporation borne by the Certificate. Registration has however the following effects : i) It has a distinct legal entity. ii) It acquires perpetual succession. iii) Its property is not the property of the shareholders. Promoters A company cannot come into existence of itself. A lot of preliminary work is needed before a company is formed. The person who does such work is called a promoter who may be (i) an individual (ii) a firm or (iii) a company. A person may become a promoter even after the company has been incorporated (a) by issuing a prospectus (ii) by procuring capital to enable the company to carry out its preliminary contracts.

60 A promoter is not a trustee or agent of the company because it is non-existent at the date of its exertions. But he is in a position of active confidence towards it. As a consequence, he : 1) Must not make secret profit out of the transactions he enters into. 2) Must

50%

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give the company the benefit of all contracts made by him for it. 3) Must not make an unfair use of his position.

In-case a promoter fails to make a full disclosure or abuses his position, the company may : i) Rescind the contract and recover the purchase money paid. ii) Recover from him secret profits made. iii) Sue him for misappropriation of the company's funds if he is a director. In addition, he must see that if any prospectus is issued, the prospectus : 1) Contains necessary particulars. 2) Does not contain any untrue statements or does not omit any material fact. 4.13.1 Preliminary or

84%

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Pre-Incorporation Contracts The promoters of a company usually enter into contracts to acquire property or right for the company which is yet to be incorporated. Such contracts are called preliminary or preincorporation contracts. The promoters

cannot therefore act as an agent for the company, which has not yet come into existence. As such

100%

MATCHING BLOCK 283/685

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the company is not liable for the acts of the promoters. done before its incorporation.

The company when it comes into existence

62%

MATCHING BLOCK 292/685

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is not bound by the preliminary contracts even where it takes the benefit of work done on its behalf. The

company cannot after incorporation enforce the contracts made before its incorporation. This means a company when it comes into existence cannot sue the other party to a contract if that other party fails to carry out the contract. The promoters remain personally liable on the contract. U/s 15 & 19 of the Specific Relief Act 1963, when the promoters of a company before its incorporation entered into a contract for the company and such contract is warranted by the terms of the incorporation specific performance may be obtained by or enforced against the company provided that the company has accepted the contract and has communicated such acceptance to the other party to the contract.

61 4.14 Definition of Prospectus A prospectus is any document in the form of any notice circular, advertisement etc.

82%

MATCHING BLOCK 284/685

W

inviting offers from the public for the subscription or purchase of any share in or debentures of a body corporate Sec 2(36). 4.14.1 Contents of the Prospectus (

Sec. 56) The prospectus must state the matters specified in Part-I of Schedule-II.

i) Whether the prospectus has been issued at the time of the formation of the company or subsequently. ii) Amount of minimum subscription and amount payable on application. iii) Time of opening of subscription list. iv) Preliminary expenses incurred. v) Names and addresses of auditors of the company. vi) Particulars of reserves including reserves capitalised. vii) Particulars regarding directors, etc. and of the contracts and fixing remuneration of them. viii) Nature and extent of interest of directors and promoters. ix) Particulars of premium and underwriting commission paid, nature and extent of restrictions upon members at company meetings. x) In case of existing companies,

79%

MATCHING BLOCK 285/685

W

a report by the auditors showing the profit and loss and assets and liabilities of the company,

rates of dividend paid

for five years preceding issue of prospectus particulars regarding its subsidiaries. xi) Principal

65%

MATCHING BLOCK 286/685

W

objects of the company and particulars of signatories to the memorandum and shares subscribed by them. xii) Number and classes of shares,

extent of interest of holders and particulars of dividends and redeemable preference shares. xiii) Rights in respect of capital and dividends attached to different classes of shares. xiv) Restriction upon the power of directors. xv) Annexation of the auditors and accountant's report to the prospectus. xvi) Inspection of balance sheet and profit/loss account. xvii) Voting rights, capitalization of reserves and surplus on revaluation.

62 4.14.2 Mis-statements in Prospectus and their consequences I)

75%

MATCHING BLOCK 287/685

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Civil Liabilities : A person who has been induced to subscribe for shares on the faith of

an untrue statement in

88%

MATCHING BLOCK 288/685

W

the prospectus has remedies against (i) the company and (ii) directors, promoters and experts. (i) Remedies against the Company :

If there is a misrepresentation or non-disclosure of the fact in the prospectus, any person who has been induced to purchase shares can a) Rescind the contract b) claim damages from the company for fraudulent representation. (a) Rescission of the Contract : The subscriber to the share must apply to the court for rescission of

83%

MATCHING BLOCK 289/685

W

the contract if the following conditions are fulfilled : 1) The Statement must be a material misrepresentation of fact. 2) It must have induced the shareholders to take the shares. 3)

It must be untrue. 4) The shareholder

79%

MATCHING BLOCK 290/685

W

must have relied on the statement. 5) The omission of a material fact must be misleading. 6) The proceedings for rescission must be started as soon as the allottee comes to know of

the misleading statement. (b) Claim Damages :

The subscriber to the shares may sue the company for damages provided he surrenders the shares to the company. (ii) Remedies against Directors, Promoters and Experts : The following persons are liable to pay compensation for loss or damage to the subscriber for shares on the faith of untrue statements. (1) Directors at the time of issue of prospectus. (2) Persons authorised to act as directors in the prospectus. (3) Promoters. (4) Persons authorised to issue prospectus. (I) Defences available to directors, promoters - [Sec. 62(2)] : (i) He

83%

MATCHING BLOCK 291/685

W

had withdrawn his consent to become a director before the issue of the prospectus and it was issued without his authority or consent. (ii) The issue was made without his knowledge or consent. (

iii) His consent was withdrawn

76%

MATCHING BLOCK 293/685

W

after the issue of the prospectus and before allotment and public notice was given. 63 (iv) He had reasonable ground to believe that the statements were true and he believed them to be true. (v) The statement was correct and fair summary or copy of an expert's report or

a statement made by an official or in an official document. (II) Criminal Liabilities (Sec 63) :

85%

MATCHING BLOCK 294/685

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Every person who has authorised the issue of a prospectus containing untrue statement shall be punishable with imprisonment which may extend to two years or with fine extending to Rs. 50,000/- (with

effect from 13.12.2000 by Amendment Act 2000) or both. He will be acquitted if he proves that (I) the

83%

MATCHING BLOCK 295/685

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statement was immaterial (2) he had reasonable ground to believe, upto the time of issue of prospectus that the statement was true. 4.15 Statement in lieu of Prospectus (Sec 70) A

public company having a share capital and which has not issued any prospectus must at least 3 days before the first

73%

MATCHING BLOCK 296/685

W

allotment of shares or debenture deliver to the Registrar for registration a statement in lieu of prospectus.

The statement must be in the form prescribed in Schedule -II to the Act. The prescribed form provides for the disclosure of all material facts relating to the company. If the statement in lieu of prospectus contains untrue statements all persons responsible for the issue

66%

MATCHING BLOCK 297/685

W

shall be punished by imprisonment which may extend to 2 years or with fine which may extend to Rs. 50,000 (By Amendment Act 2000) or with both. 4.16

Minimum Subscription [Sec. 69 (1), Sec. 11(5)] When shares are offered to the public, the prospectus must state the minimum amount to be raised from the issue of shares before the company can commence its business. Such an amount is fixed by the Directors or persons who have signed the memorandum of the company. The amount will take into account the following expenses. (i) Purchase of property. (ii) Preliminary expenses including commission payable on sale of shares. (iii) Repayment of loans for the above purposes. (iv) Working capital. (v) Any other items. The amount of minimum subscription must be reckoned exclusive of any amount payable otherwise than in money.

64 Until the amount of minimum subscription has been received by the company, it cannot make any further allotment of shares. The Registrar cannot grant a certificate of Commencement of Business unless minimum subscription is received. 4.17 Restrictions as to Allotment (i) Minimum Subscription [Sec. 69(1)] : No allotment can be made until the amount fixed as minimum subscription has been received. (ii)

Application money [Sec 69] :

The

amount payable on each share must

81%

MATCHING BLOCK 298/685

W

not be less than 5% of the nominal value of the share. All moneys received from applicants must be kept deposited in a scheduled bank until the certificate

for commencement of business has been obtained or until the full amount of minimum subscription has been received (where certificate has already been received). If such amount has not been received within 120 days after the first issue of the prospectus, all moneys so received must be refunded to the applicants. If not refunded within the specified period, the directors

72%

MATCHING BLOCK 299/685

W

shall be jointly and severally liable to repay it with interest @6% p.a. from the expiry of the 130th day. (

iii) Statement in lieu of prospectus (Sec. 70) : A public company, which has not issued any prospectus, must at least 3 days before the first allotment of shares deliver

87%

MATCHING BLOCK 300/685

W

to the Registrar for a registration a statement in lieu of prospectus. (

iv) Effects of irregular allotment (Sec. 71) : Any allotment which contravenes Secs 69 to 70 i.e. (i) without receipt of minimum subscription (ii) without filing a statement in lieu of prospectus is called an irregular allotment. If any irregular allotment is made it

67%

MATCHING BLOCK 301/685

W

is voidable at the instance of the applicant : (a) Within 2 months of the date of holding a statutory meeting. (b) (i) If the company is not required to hold a statutory meeting. (ii) Where the allotment is made after the

holding of the statutory meeting within 2 months of the date of allotment. The allotment is voidable in the event of liquidation of the company. Any director willingly responsible for irregular allotment is liable to compensate the company and the allottee for the loss provided a suit for recovery is filed within 2 years from the date of allotment. (v) Opening of subscription lists (Sec. 72) :

71%

MATCHING BLOCK 312/685

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No allotment can be made until the beginning of the 5th day after the publication of the prospectus or such time as may be specified in the prospectus. (

vi) Stock Exchange recognition (Sec. 73) : Where the

55%

MATCHING BLOCK 302/685

W

prospectus states that application 65 will be made for permission for shares or debentures to be dealt in on a Stock Exchange, any allotment made would be void if. (

a)

72%

MATCHING BLOCK 303/685

W

The permission has not been applied for before 10th day after the issue of the prospectus. (b) The permission has not been granted before the expiry of 10 weeks from the date of closing of subscription

lists.

In either case i.e.

96%

MATCHING BLOCK 304/685

W

where permission has not been applied for or has not been granted, the

company must forthwith repay all moneys without interest to the applicants within 8 days.

Thereafter interest is payable at 12%. 4.17.1 Return of Allotment (Sec. 75) Within 30 days of allotment of shares, the company must file with the Registrar a statement known as "return as to allotment". The return must contain (a) Particulars about

80%

MATCHING BLOCK 305/685

W

the number and nominal amount of the shares, the names, addresses and occupation's of the allottees and the amount

paid on each share; (b) Particulars about the shares (not being bonus shares) allotted as fully or partly paid up for consideration other than cash; (c) Particulars about the number and nominal amount of bonus shares and their allottees; (d) A copy of the resolution passed by the company authorizing issue of shares at a discount and a copy of Court's order sanctioning the issue. 4.18 Commencement of Business (Sec. 149) Where a public company has a share capital and has issued a prospectus it cannot commence business until the Registrar issues a "Certificate of Commencement of Business". The certificate is issued subject to the following conditions : (i) Minimum Subscription has been raised. (ii) Every director who has taken up shares has paid the money payable on application and allotment. (iii) No money is repayable for failure to obtain stock exchange recognition for the shares. (iv) A duly verified declaration by a director or secretary has been filed with the Registrar stating

50%

MATCHING BLOCK 306/685

W

that the aforesaid conditions have been complied with. Where a public company has a share capital and has not issued a prospectus

it cannot commence business until the Registrar issues a "Certificate of Commencement of Business". The certificate is issued subject to the following conditions : (i)

89%

MATCHING BLOCK 307/685

W

Statement in lieu of prospectus has been filed with the Registrar. 66 (ii) Every director

who has taken up shares has paid the money payable on application and allotment. (iii) A duly verified declaration by a director or secretary has been filed with the Registrar stating that the aforesaid conditions have been complied with. A company may enter into contracts before the date of commencement of business but such contract remain provisional up to the commencement date and become binding on that date. Sec. 149(2)

97%

MATCHING BLOCK 308/685

W

A) prohibits a public company from commencing any business other than that covered by the main objects of the company unless it has by a special resolution approved the commencement of such business and a duly verified declaration by

a director

85%

MATCHING BLOCK 309/685

W

or secretary in the prescribed form that such a resolution, which has been passed

has been filed with the Registrar.

83%

MATCHING BLOCK 310/685

W

An ordinary resolution would be sufficient if the Central Govt. on an application by the Board of Directors allows the company to commence such business [Sec. 149(2B)]. 4.19

Kinds of Share Capital There are only 2 types of

36%

MATCHING BLOCK 311/685

W

share capital viz. (1) Preference Share Capital : That part of capital which carries (i) Preferential right as to payment of dividend during lifetime of company (ii) Preferential right as to the return of capital in the event of winding-up. (2) Equity Share Capital : All share capital other than preference share capital. 4.20

Voting Rights An equity shareholder shall have votes

100%

MATCHING BLOCK 313/685

W

in proportion to his share of the paid-up equity capital of the Company.

Preference shareholders will vote only on matters relating

62%

MATCHING BLOCK 314/685

W

to preference capital and resolutions for winding up of the company or reduction of share capital.

If dividends due on such capital remain unpaid, preference shareholder shall have the right to vote on all resolutions.

76%

MATCHING BLOCK 320/685

SA

EBSL605 (1).docx (D142458594)

The voting rights of preference shareholders must be in the same proportion as the capital paid up in respect of preference shares bears to the

total paid-up equity capital of the company. 4.21

Variation of Shareholder's Rights U/s 106

82%

MATCHING BLOCK 315/685

W

of the Act, rights attached to shares of any class may be varied with the consent in writing of the holders of not less than 3/4ths of the issued shares or with the sanction 67 of a special re-solution passed at a separate meeting of the holders of issued shares.

79%

MATCHING BLOCK 316/685

W

If such variation is prohibited by the terms of issue of shares, variation will not be possible.

U/s 107 of the Act, holders of 10% of issued shares who are opposed to the variation may within 21 days of the

40%

MATCHING BLOCK 317/685

W

passing of the resolution apply to the court to get the variation cancelled. Where such an application has been made, the variation will be effective only when confirmed by the Court and the

order communicated to the Registrar within 30 days. 4.22 Alteration of Share Capital A company may alter its share capital if authorized by the Articles in any one of the following ways : i)

Increase its share capital

69%

MATCHING BLOCK 318/685

W

by issuing fresh shares. ii) Consolidate and divide all or any part of its share capital into shares of larger amount. iii) Convert fully paid up shares into stock

or

vice versa.

iv) Subdivide all

81%

MATCHING BLOCK 319/685

W

its shares or any of them into shares of smaller amount. v) Cancel shares, which have not been taken and diminish the amount of its share capital by the amount of shares so

taken. Such alteration has to be passed by

100%

MATCHING BLOCK 321/685

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3 B.COM _ IV SEM _ 22DCBGL43 Company Law.pdf (D143464602)

a special resolution in the general meeting of the company.

78%

MATCHING BLOCK 326/685

SA

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The notice of alteration must be given to the Registrar within 30 days of the

alteration. 4.23 Reduction of Share Capital Reduction of Share Capital may be allowed for

54%

MATCHING BLOCK 322/685

W

any of the following reasons : i) Extinguish or reduce the liability of shareholders regarding uncalled shares. ii) Cancel paid up share capital lost or un-represented by available assets. iii) Pay off any paid-up share capital in excess of the wants of the company.

iv) Any other methods approved by Tribunal (

As Amended in 2002). The following is the procedure for reduction of share capital (Sec. 100-150) 1) The reduction must be authorised by the Articles. If the Articles do not give that power they have to be amended. 2) A Special Resolution must be passed. 3) Sanction of the court must be obtained. The Tribunal (As Amended in 2002) before giving sanction to the reduction may direct issue of notices to the creditors of the

68 company whose claims are provable upon winding up. The company has to settle the list of creditors for the purpose. After hearing the objections of the creditors, the Tribunal (Amendment Act 2002) may direct before reduction of capital takes place, the claims of the creditors either to be secured or to be fully paid-up. The court may order that for a specified period after reduction use of the words "and reduced" at the end of its name. It may also order publication of the reasons leading to the reduction. 4) A certified copy of the Tribunal's (Second Amendment 2002) approved by the Tribunal (Second Amendment 2002) must be placed before the Registrar for registration. The reduction takes place from the date of registration. 4.24 Further Issue of Capital i.e. Rights Issue (Sec. 81) When it is proposed

89%

MATCHING BLOCK 323/685

W

to increased the subscribed capital by the allotment of further shares after the expiry of 2 years from the formation of the company or after the expiry of 1 year from the first allotment of shares whichever is earlier,

the following procedure must be adopted : 1) Such new shares must be offered to the existing equity shareholders of the company in proportion

100%

MATCHING BLOCK 324/685

W

to the capital paid up on those shares at that date

as circumstances admit. 2)

The offer

95%

MATCHING BLOCK 325/685

W

must be made by notice specifying the number of shares offered. The

notice must give at least 15

100%

MATCHING BLOCK 330/685

SA

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days from the date of the offer within which the offer

may be accepted. 3) The notice must also inform the shareholders that they have the right to renounce all or any of the shares offered to them in favour of their nominees. 4)

96%

MATCHING BLOCK 327/685

W

After expiry of the time specified in the notice or on receipt of earlier intimation from the person to whom such notice is given that he declines to accept the shares offered, the Board of Directors may dispose them in

the manner they think to be most beneficial.

58%

MATCHING BLOCK 328/685

W

The new shares may be offered to any person if (a) A special resolution to that effect

71%

MATCHING BLOCK 329/685

W

is passed by the company in the general meeting. (b) An ordinary resolution to that effect

is passed and the Central Govt. is satisfied that such a proposal of the Board is most beneficial to the Company [Sec. 81 (IA)]. 4.25

81%

MATCHING BLOCK 332/685

SA

3 B.COM _ IV SEM _ 22DCBGL43 Company Law.pdf
(D143464602)

Issue of Shares at a Premium (Sec. 78) A company may issue shares at a premium. When

87%

MATCHING BLOCK 331/685

W

a company issues shares at a premium for cash or otherwise, a sum equal to the value of the premium on those shares must be 69 transferred to an account

called Share Premium Account.

45%

MATCHING BLOCK 335/685

SA

EBSL605 (1).docx (D142458880)

The Share Premium Account may be utilized by the Company : i) In issuing fully paid-up bonus shares to the members of the company. ii) In writing off preliminary expenses. iii) In writing off expenses or commission paid or discount allowed on

the

75%

MATCHING BLOCK 333/685

W

issue of shares or debentures of the company. iv) In providing for the premium payable on the redemption of redeemable preference shares or debentures. 4.25.1 Issue of Shares at a

Discount (

Sec. 79) Shares may be issued at a discount if the following conditions are fulfilled : i) The shares to be issued at a discount must belong to a class, which has already issued such shares. ii)

100%

MATCHING BLOCK 334/685

W

The shares to be issued at a discount must be

authorized

79%

MATCHING BLOCK 342/685

SA

Ravinder Kumar - Legal Aspects Of Business, 4E ... (D142409269)

by a resolution passed at the general meeting of the company and sanctioned by the Central Government (

Second Amendment 2002). iii) The maximum rate of discount must be specified by the resolution and in no case must it exceed 10%. A higher rate requires approval of the Central Government. iv) The Company must be working for at least one year from the date of commencement of business before it can issue shares at a discount. v)

86%

MATCHING BLOCK 336/685

W

The shares to be issued at a discount must be issued within 2 months from the

date of

sanction of the Central Govt. The prospectus must contain particulars relating to the issue of shares at a discount and so much of the discount has not been written off. l Commission (Sec. 76) A company may pay commission to a person subscribing to the shares or debentures or procuring subscriptions for them

37%

MATCHING BLOCK 337/685

W

if the following conditions are fulfilled : 1) The payment must be authorized by the articles. 2) The commission must not exceed 5% of the issue price of the shares and 2.5% of the issue price of the debentures or the amount authorized by the articles. 3) The amount or rate of commission

payable

and the number of shares and debentures, which have been agreed to be subscribed at a commission, must be

100%

MATCHING BLOCK 338/685

W

disclosed in the prospectus or statement in lieu of prospectus. 70 4) A copy of the contract for the payment of the commission must be delivered to the Registrar

at the time of delivery of the prospectus or statement in lieu of it for registration.

No commission is payable to any person on

87%

MATCHING BLOCK 339/685

W

shares or debentures which are not offered to the public for subscription.

63%

MATCHING BLOCK 340/685

W

In case of default, the company and its officers shall be punishable with fine which may extend to Rupees

five thousand (Amendment Act 2002 with effect from 13.12.2000). 4.26 Purchase of the Company's Own Share (Sec. 77) A company limited by shares or by guarantee cannot purchase its own shares because it amounts to a reduction of capital.

67%

MATCHING BLOCK 341/685

W

No public company and no private company being a subsidiary of a public company can provide whether directly or indirectly any financial assistance to any person

for the purpose of purchase of any shares in the company. There are however some exceptions : 1) Purchase of own shares permitted if reduction of capital is sanctioned. 2) For protection of interest of minority shareholders the court may direct purchase of own shares. 3) Redemption of preference shares by a company lawfully permitted. 4) Forfeiture or surrender of shares lawfully made is not prevented The following kinds of transactions are however not prohibited : 1) The landing of money

75%

MATCHING BLOCK 348/685

SA

Ravinder Kumar - Legal Aspects Of Business, 4E ... (D142409269)

by a banking company in the ordinary course of business. 2) The provision of money

by a company

84%

MATCHING BLOCK 343/685

W

for the purchase of fully paid shares in the company by trustees for

and on behalf of the company's employees. 3) The lending of money by a company to its employees (not exceeding 6 months wages) for the purpose of purchasing shares in it. Employees does not include Directors or Managers.

76%

MATCHING BLOCK 344/685

W

A Company may purchase its own shares from : 1) Out of its free reserves. 2)

Out of share premium account. 3) Out of proceeds of earlier issue other than fresh issue made specifically for buy back purpose. 71

78%

MATCHING BLOCK 345/685

W

No Company shall purchase its own shares unless : a) Buy back is authorized by its Articles. b) Special resolution

passed authorizing buy-back. c) Buy back not to

95%

MATCHING BLOCK 346/685

W

exceed 25% of total paid-up capital and free reserves of the company

purchasing its own shares. d) All shares are fully paid up. e)

90%

MATCHING BLOCK 347/685

W

Ratio of debt owed by the Company not more than twice capital and free reserves after

the buy back. 4.27 Redeemable

87%

MATCHING BLOCK 349/685

SA

EBSL605 (1).docx (D142458880)

Preference Shares (Sec. 80) A company limited by shares may if so authorized by its Articles issue preference shares, which are to be redeemed

subject to the following conditions : a) The shares are to

65%

MATCHING BLOCK 351/685

SA

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be redeemed only out of profits of the company, which would otherwise be available for dividend, or out of the proceeds of a fresh issue of shares made for the purpose of redemption. b) The shares to be redeemed must be fully paid up. c) Any premium paid on redemption must

be paid-out of the profits or out of the company's share premium account.

Where redemption is made

90%

MATCHING BLOCK 350/685

W

out of profits, a sum equivalent to the nominal value of the shares redeemed must be transferred to capital redemption reserve account

which

61%

MATCHING BLOCK 354/685

SA

Company Law.doc (D133844449)

may be applied by the company paid-up un-issued shares to be issued to members as fully paid bonus shares.

Failure to comply with the above provisions will cause the company and every officer in default to be punishable with fine extending to Rupees Ten Thousand (By Company)

82%

MATCHING BLOCK 352/685

W

Amendment Act 2002). No company limited by shares shall issue any preference share which is irredeemable or is redeemable after a period of ten years from the date of issue

Sec 80(5A). 4.28 Call on Shares

A call is

58%

MATCHING BLOCK 353/685

W

a demand made by the Company to its shareholders to pay in part or in full the balance remaining unpaid on each share.

The Companies Act lays down the following legal provisions relating to calls. 1) The Board of Directors is empowered to make calls during the existence of the Companies (Sec. 292).

72 2)

95%

MATCHING BLOCK 355/685

SA

EBSL605 (1).docx (D142458880)

Calls shall be made on uniform basis on all shares falling

under the same class (Sec. 91). 3) A company if authorized by the articles may accept from any member an advance payment of any part of the money due on shares held by him before any call has been made (Sec. 92). 4.29 Forfeiture of Shares Shareholder's failure to pay call money may result in shares being forfeited by the Company. As such, the company shall have two remedies : 1) Sue the shareholder for the amount due. 2) Forfeit his shares as per Articles. Before forfeiting the shares, the company shall serve a notice on the defaulting member requiring payment of call money together with the interest accrued within 14 days of the serving of the notice. If the requirements of the notice are not complied with, the shares for which call money has not been received shall be forfeited by a resolution of the Board. After forfeiture, the name of the member is struck off from the register. He remains liable as a debtor even after forfeiture. The forfeited shares may be re-issued by the Board. The purchaser is liable to pay all unpaid calls due on the share. The company must specify the number of shares forfeited in every annual return submitted to the Registrar. 4.30 Lien on Shares (Article 9, Table A) A Company has a lien on all shares for amounts payable on them or for amounts due from the member or his estate to it. The right of lien also extends to all dividends payable by the company. It must be clearly provided for in the Articles. A company loses lien : 1) If it registers a transfer of shares subject to the lien. 2) If a member pledges his shares to a third party as security for a loan and the company has notice thereof and then incurs liability to the company. 4.31 Surrender of Shares Surrender of shares means abandonment of shares by the holder thereof in favour of the company. There is no provision in

60%

MATCHING BLOCK 357/685

SA

Company Law.doc (D133844449)

the Act or in Table A for surrender of shares. But the 73 articles may provide for the acceptance of

surrender under circumstances justifying forfeiture. Surrender amounts to reduction of capital. 4.32 Stock vs. Shares A share may be defined as an interest in the company enabling the owner to receive a proportionate part of the assets and liabilities of the company upon liquidation. So it is an interest measured in sum of money. A stock is defined as the conversion of fully paid up shares of the company authorized by its Articles [Sec. 94 (l)(c)]. Stock Shares 1. It has no nominal value. 1. It has a nominal value 2. Only fully paid-up shares are convertible to stock. 2. Shares may be partly paid-up. 3. They may be of unequal amounts. 3. They are of equal denomination. 4. Parts of it do not bear distinct numbers. 4. They always bear distinctive numbers. 5. They cannot be directly issued. 5. They can be directly issued to the public. 4.33

100%

MATCHING BLOCK 356/685

W

Share Certificate and Share Warrant A share certificate is a

certificate

100%

MATCHING BLOCK 364/685

SA

Ravinder Kumar - Legal Aspects Of Business, 4E ... (D142409269)

issued under the common seal of the company specifying the number of shares held by any

member.

The company must have it ready for delivery

85%

MATCHING BLOCK 358/685

W

within 3 months of the allotment of shares or within 2 months after the application for registration of the transfer of shares. The

Company Law Board may however extend the above periods to nine months. Default makes the company and its officers

100%

MATCHING BLOCK 359/685

W

liable to fine upto Rs. 500/- for every day of default (Sec. 113).

The

87%

MATCHING BLOCK 360/685

W

share certificate is a prima facie evidence of the title of the member to such shares [

Sec. 84 (1). It may be renewed

56%

MATCHING BLOCK 361/685

W

or a duplicate issued if it (a) is proved to have been lost or destroyed (b) having been defaced or mutilated or torn is surrendered to the company [

Sec 84 (2)].

63%

MATCHING BLOCK 362/685

W

A share warrant is a document issued by a company stating that its bearer is entitled to the shares specified therein. It is a substitute for the share certificate.

Share warrants may be issued · (1) for fully paid up shares (2) If articles so provide (3) if approval of 74 the Central Govt. has been obtained. A share warrant may have attached coupons on whose submission dividends due on shares will be paid.

75%

MATCHING BLOCK 363/685

W

Shares may be transferred by delivery of the warrant (Sec. 114) When a share warrant

is issued, the name of the holder of share certificate is removed from the register of members and the number and date of the share warrant noted therein. Any holder of the warrant may surrender it whereupon his name shall be recorded in the register. He shall not possess the right to vote and exercise other rights of membership but the articles may give him that right also (Sec. 115). 4.34 Member "Member" of a company means U/s 41 : 1. Subscribers of

97%

MATCHING BLOCK 365/685

SA

Ravinder Kumar - Legal Aspects Of Business, 4E ... (D142409269)

the memorandum of the company. 2. Every other person who agrees in writing to become a member of

a

67%

MATCHING BLOCK 369/685

SA

Company Law.doc (D133844449)

company and whose name is entered in its register of members. A person may become member of

a company

in one of the following ways : 1. By signing memorandum of association before presenting it for registration. 2. By getting allotment of shares and having his name included in the register of members. 3. By getting a transfer of shares from existing member and having transfer recognised by the company. 4. By obtaining shares by inheritance from a deceased member and getting his name included in the register of members. 5. By allowing his name to remain in the register of members under circumstances that he cannot plead later on that he is not a member. 4.34.1 Member Vs. Shareholder In companies only having a share capital, a shareholder is also a member of the company. The terms "Member" and "Shareholder" are synonymous apart from the exceptional cases that the bearer of a share warrant or the legal representative of a deceased member who is a shareholder is not a member because he is not registered in the register of members. 4.34.2 Cessation of Membership 1. By transfer of shares. 2. By forfeiture of shares. 3. By surrender of shares. 4. By death. 5. By being adjudicated an insolvent. 6.

55%

MATCHING BLOCK 366/685

W

By rescission of the contract to purchase shares on the ground of misrepresentation in the prospectus. 7. By winding up. 8.

By sale of shares in execution of a decree of the Court. Shareholder & Debenture Holder : Shareholder Debenture Holder 1. Member of the Company. 1. Creditor of the Company. 2. Has voting rights. 2. No voting rights. 3. No such priority. 3. Gets priority over shareholder when assets are distributed upon winding up. 4. Entitled to dividends depending 4. Entitled to fixed interest. upon profits. 5. Shares are not redeemable. 5. Debentures are redeemable. 4.34.3 Register of Members U/s 150, every company is bound to keep a Register of Members in which particulars are entered regarding the name, address and occupation of members, the number of shares held by each, date of commencement and cessation of membership, and particulars regarding ownership of stock where shares have been converted into stock. U/s 153, no notice of any trust (express, implied or constructive) shall be entered in the

76%

MATCHING BLOCK 367/685

W

Register of members. U/s 154, a company may after giving not less than 7 days notice by advertisement in local newspaper close the Register of members for a period

of not more than 45 days in the year and not more than 30 days at a time. In case of default the company and its officers

100%

MATCHING BLOCK 368/685

W

shall be liable to a fine, which may extend to Rs, 5000/- (

By Companies Amendment Act, 2000 with meet from 13.12.2000) for every day during which the register is so closed. 4.35 Transfer & Transmission of Shares When shares pass from one person to another by a voluntary act e.g. sale, gift or otherwise it is called a transfer. When shares pass by operation of law from one person to another e.g. by inheritance it is called transmission. 76 On the death of a member, his shares vest in his executors, administrators or other legal representatives and such shares are liable for calls if the shares remain partly paid. 4.36 Statutory Meetings and Report (Sec. 165) A statutory Meeting can be called within a period not less than 1 month or

95%

MATCHING BLOCK 375/685

SA

MBA SEM-I Business Law.pdf (D142212465)

not more than 6 months from the date of commencement of business.

The Board of Directors shall forward a Statutory Report, 21 days before the date of such meeting to every member of

65%

MATCHING BLOCK 370/685

W

the company the report should be certified by at least two directors one of whom must be a Managing Director.

The report shall include : (i) Total number of shares allotted as fully paid and partly paid. (ii) Total cash received in respect of such shares. (iii)

An abstract of receipt & payments of the company prepared upto

43%

MATCHING BLOCK 371/685

W

a date within 7 days of the date of report. (iv) Names, addresses, occupation of directors of the company and of its auditors; and also, if there be any, of its manager and secretary, since the date of incorporation of the company [Company (Amendment) Act, 2000]. (v) Particulars of contract to be submitted to members for approval. (vi) Extent to which underwriting contract has not been carried out. (vii) Arrears due on calls from directors, managers etc. (viii) Particulars of commission/brokerage paid or to be paid

to
directors, managers in respect of sale or issue of shares/debentures.

57%

MATCHING BLOCK 372/685

W

In case of default, every director or officer of the company is punishable with fine which may extend to

Rupees five thousand (Amendment, 2000). 4.37 Annual General Meeting U/s 166,

87%

MATCHING BLOCK 373/685

W

the First Annual General Meeting of the Company is to be held

100%

MATCHING BLOCK 374/685

W

within a period of not more than 18 months from the date of its incorporation.

82%

MATCHING BLOCK 376/685

SA EBSL605 (1).docx (D142458880)

Not more than 15 months shall elapse between the date of one annual general meeting and the next.

The Registrar may extend the
time of holding

96%

MATCHING BLOCK 378/685

SA EBSL605 (1).docx (D142458880)

by a period not exceeding 3 months. Every annual general meeting shall be called during business hours

75%

MATCHING BLOCK 377/685

W

at the registered office of the company or some other place within the town where the registered office is situated. The Central Govt. may exempt any class of companies from the

above provisions. The time of holding annual general meeting may be fixed

80%

MATCHING BLOCK 382/685

SA NOTES.docx (D143726320)

by the articles of the company or by a resolution passed in one general meeting. 77

U/
s 167, if default is made in holding annual general meeting, the Regional Director of

83%

MATCHING BLOCK 379/685

W

the Company Law Board may direct the calling of such meeting on

the

application of any member. He shall give directions regarding the calling, holding and conducting of such meeting. U/s 168, if provisions relating to Secs 166 & 167 are not complied with, then the company and its officers in default shall be fined (Maximum fine- Rs. 50,000. For continuing default-further fine of Rs. 2,500 per day). (Amendment Act 2000) 4.38 Extra Ordinary General Meeting U/s 169, the Board of Directors shall hold a general meeting upon request or requisition made for it if the following conditions are fulfilled : 1. The requisition must be signed by members holding at least 1/10 of either the paid up capital or the total voting power. 2.

58%

MATCHING BLOCK 380/685

W

The requisition must set the matters to be considered at the meeting. 3. The requisition must be deposited at the Registered Office of the Company.

The

Board must

within 21 days of receipt of requisition issue a notice for the holding of the meeting on a date fixed within 45 days of receipt. If the Board does not hold the meeting, the requisition can call a meeting within 3 months of the date of requisition. Resolutions passed at such a meeting shall be binding to the company. 4.39 Power of Tribunal to order meeting to be called U/s 186, the company Law Board can call a meeting of

83%

MATCHING BLOCK 381/685

W

the company either of its own motion or on the application of any director or of any member

entitled to vote

thereat. Tribunal shall decide when the meeting is to be called and how it is to be conducted. 4.40 Rules Regarding Meetings (a) Notice : Notice must be given to : 1. All members entitled to vote upon matters prepared to be dealt within the meeting. 2. Legal representatives of deceased or insolvent members. 3. Auditors of the company. Notice must be given at least 21 days before

57%

MATCHING BLOCK 385/685

SA

NOTES.docx (D143726320)

the meeting. Meetings may be called with a shorter notice under the following circumstances : 78 (i) In case of annual general meeting

if agreed to by all members entitled to vote thereat. (ii) In case of other meetings if it is agreed to by members

88%

MATCHING BLOCK 383/685

W

holding not less than 95% of such part of paid up share capital as gives a right to vote.

For a company without share capital holders of not less than 95% of total voting power agree to it. (b) Agenda : The notice must specify the business to be transacted in the meeting. The business transacted is divided into two classes- ordinary and special. Ordinary business means consideration

44%

MATCHING BLOCK 384/685

W

of accounts and balance sheet; declaration of dividend; appointment of directors and appointment and fixation of the remunerations of auditors. In case of an annual general meeting, any business other than general business and in case of any other meeting, all business is deemed special.

If any special business is to be transacted at

the meeting, the notice must specify its nature and must have annexed to it an explanatory statement containing the following information : 1. All material facts concerning each item of special business including in particular the nature of every director/manager's concern or interest. 2.

75%

MATCHING BLOCK 386/685

SA

EBSL605 (1).docx (D142458594)

Where any item of special business relates or affects any other company, the extent of shareholding interest in that company of every director/manager

if

63%

MATCHING BLOCK 389/685

SA EBSL605 (1).docx (D142458594)

such interest is not less than 20% of paid up share capital of that company. 3. Where any item of

special business consists of according approval to any document by the meeting, time & place at which document can be inspected.
(c)

Quorum (Sec 174, 287-288) :

80%

MATCHING BLOCK 387/685

W

Quorum means the minimum number of members required to be present in order to constitute a meeting and

to transact business thereat.

66%

MATCHING BLOCK 388/685

W

In case of public companies other than a public company, which has become such by virtue of Sec 43 A, 5 members must be personally present

to constitute a quorum while in case of other companies 2 mem- bers must be personally present for

36%

MATCHING BLOCK 394/685

SA EBSL605 (1).docx (D142458880)

the quorum. If there is no quorum half an hour before the commencement of the meeting, the meeting stands dissolved. It is adjourned till the same day next week at the same hour and place or such day, hour and place as the Board may

fix. No quorum shall be required in this case.

71%

MATCHING BLOCK 390/685

W

The quorum for a meeting of the Board is 1/3' of its total strength (any fraction contained 79 in that 1/3rd being rounded off as one) or 2 directors whichever is higher. If

88%

MATCHING BLOCK 391/685

W

at any time the number of interested directors exceeds or is equal to 2/3rds of the total strength,

the number of remaining directors (not interested ones) being not less than 2 present at the meeting shall form the quorum.

72%

MATCHING BLOCK 392/685

W

If a meeting of the Board cannot be held for want of quorum it stands adjourned till the same day in the next week at the same time and place. (

d) Proxy (Sec 176) : Every member

78%

MATCHING BLOCK 393/685

W

who is entitled to attend and vote at a meeting may appoint another person

who shall have the right to attend and vote only on poll. He cannot however speak at the meeting. The appointment of such a person is called a Proxy. A written instrument signed by

87%

MATCHING BLOCK 396/685

SA MBA-401 Business Law.pdf (D164737585)

the appointer must be deposited with the company 48 hours before the meeting.

Every member entitled to vote at the meeting of a company is entitled to inspect the proxies beginning 24 hours before the meeting till the conclusion of the meeting provided at least 3 days notice in writing is given to the company. A body corporate, which is a member of the company can appoint a proxy by a resolution of the Board of Directors. (e) Poll (Sec 177- 185) : A poll is to be taken (i) if the Chairman so directs (ii) if it is demanded by members holding at least 1/10th of the voting power or paid up capital (iii) in case of public company if it is demanded by at least 5 members present and entitled to vote (iv) in case of private company if it is demanded by any

88%

MATCHING BLOCK 395/685

W

one member if not more than seven members are present and by two members if more than seven

members are present.

A poll on a resolution for adjournment or for the appointment of a Chairman is to be taken immediately. In other cases, it is to be taken when the Chairman decides but it must be within 48 hours of the demand for poll. A poll is to be taken in the manner decided by the Chairman. Each member has record his decision on ballot papers. The Chairman shall appoint two scrutineers to scrutinize and ballot papers. At least one of them shall be a member present in the meeting. The Chairman has a casting vote in addition to his ordinary vote. 4.41 Ordinary / Special Resolution All matters, not required to be decided by a special resolution, may be decided by ordinary resolution. An ordinary resolution will be passed when the number of voter cast in its . favour exceeds those cast against it. 80 U/s 189, A resolution shall be a Special Resolution if the following conditions are satisfied : (i) The notice calling the meeting must specify that a Special Resolution will be moved. (ii)

The number of

86%

MATCHING BLOCK 397/685

SA

law Assignment A.docx (D126190280)

votes cast in favour of the resolution whether by show of hands or by poll

must be at least 3 times the member cast against it. Special resolutions are necessary for the following : 1. Alteration of Memorandum with leave of Court (Sec. 17). 2. Change of

58%

MATCHING BLOCK 398/685

SA

Ravinder Kumar - Legal Aspects Of Business, 4E ... (D142409269)

name of the company with the consent of the Central Govt. (Sect. 21). 3. Alteration of Articles of the company (

Sec. 31). 4. Reduction of Share Capital (Sec. 100). 5. Variation of Shareholders' rights (Sec. 106). 6. Payment of Interest out of Capital (Sec. 208). 7. Director holding office of Profit (Sec. 314). 8. Winding up

75%

MATCHING BLOCK 399/685

SA

004_Business Environment.pdf (D142522848)

of the company voluntarily (Sec. 484). 9. Conversion of any portion of uncalled capital into reserve capital (Sec. 99). 10.

100%

MATCHING BLOCK 400/685

SA

004_Business Environment.pdf (D142522848)

Alteration of memorandum to render the liability of Directors unlimited (Sec. 323). 4.42

Resolution Requiring Special Notice (Sec. 190)

A

Special

68%

MATCHING BLOCK 407/685

SA

Business Law Block-1.pdf (D164991125)

Notice of the intention to move the resolution must be given to the company not less than 14 days before the meeting at which the resolution is to be moved exclusive of the

day on which the notice

issued or deemed to be served

and the day of

the meeting.

The company must immediately after the receipt of the notice

78%

MATCHING BLOCK 401/685

W

give its members notice of the resolution in the same manner as it gives notice of the meeting. If this is not practicable, the company must give

notice
to its members by

87%

MATCHING BLOCK 402/685

W

advertisement in the newspaper having an appropriate circulation or in any mode permitted by the Articles.

Special Notices are required for the following : 1. Appointment of

61%

MATCHING BLOCK 403/685

W

an auditor other than retiring auditor (Sec. 225). 2. Provision that a retiring auditor shall not be re-appointed (

Sec. 225). 3.

Removal of a Director (Sec. 284). 4. Appointment of a Director in place of one who is removed (Sec. 284).

81.4.43 Minutes (Sec. 193) Minutes are written record of proceedings. 1. Every company shall keep minutes of proceedings

55%

MATCHING BLOCK 404/685

W

of every general meeting, of every meeting of the Board of Directors, of every meeting of the Committee of the Board. The minutes must be written up within 30 days

of the
conclusion of the meeting.
The pages of the
minute book must be serially numbered. Each page must

34%

MATCHING BLOCK 405/685

W

be initiated while the last page recording the proceedings of the meeting shall be dated & stamped by : (i) In case of Board meetings and meetings of the Committee of the Board by the Chairman of the meeting or the succeeding meeting. (ii) In case of general meeting by the Chairman or in his absence by a Director duly authorised by the Board. 2. The

minutes shall

43%

MATCHING BLOCK 406/685

W

contain a true and fair summary of the proceedings. 3. All appointment of offices made at the meeting shall be included in the minutes. 4. In case of Board meetings and of meetings of the Committee of the Board, the minutes shall contain. (i) Names of directors present. (ii) Names of directors who dissented from or

did not concur with
a resolution passed. 5. The
minutes shall not contain anything
which in the opinion of the Chairman is (i)

41%

MATCHING BLOCK 414/685

SA

346E1250_Legal Environment of Business.pdf (D165203702)

Defamatory of a person. (ii) Irrelevant to the proceedings. (iii) Detrimental to the interests of the company. The decision of the chairman shall be final. The minute books shall be kept at the registered office of the company and can be

inspected by the members.

A copy of the

minutes may be furnished on receipt of requisite fees. 4.44 Annual Return The Annual Return is a statement required to be filed by a Company after every annual general meeting. U/s 159,

69%

MATCHING BLOCK 408/685

W

every company having a share capital shall within 60 days from the day on which each annual meeting is held, prepare and file with the Register a return containing the following particulars : (a) Its registered office. 82 (b)

The register of its members. (c) The register of its debenture holders. (d) Its shares and debentures. (e) Its indebtedness. (f) Its

87%

MATCHING BLOCK 409/685

W

members and debenture holders, past and present. (g) Its directors, managing directors,

omitted by Amendment Act 2000 managers and secretaries past and present. Where full particulars as to past or present members were given in any of the two immediately preceding Returns, a Return may mention only the changes that have occurred in shareholding. The Return

73%

MATCHING BLOCK 410/685

W

must be in the form set out in Part II of Schedule V or as circumstances admit.

U/s 160, similar return is to be filed by companies not having a share capital. U/s 161,

75%

MATCHING BLOCK 411/685

W

the copy of the annual return filed with the Register must be signed by a director and by

manager or secretary or by 2 directors one of whom shall be the managing director. The return must be accompanied with a certificate signed likewise stating that the return states facts as they stood on the day of the annual general meeting. In case of private companies the directors must certify that there has been no violation of the rules in respect of the number of members and invitation to the public for purchase of shares. Failure to comply with the above provisions will cause the company and its offices to

100%

MATCHING BLOCK 412/685

W

be punishable with fine which may extend to Rs. 500/- for every day

of default, as per Amendment Act 2000. 4.45 Who is a

89%

MATCHING BLOCK 413/685

W

Director A Director is a person occupying the position of Director by whatever name

called. So, he is an individual

90%

MATCHING BLOCK 417/685

SA

NOTES.docx (D143726320)

having control over the direction, conduct, management or superintendence of the affairs of the company.

l

66%

MATCHING BLOCK 415/685

W

Number of Directors A public company (other than a public company which has become such by virtue of Sec.43A) must have at least 3 directors while every

other company at least 2 directors (Sec. 252). The Articles may prescribe the maximum and minimum number of directors subject to the statutory minimum. The number so fixed may be increased or reduced by ordinary resolution at the general meeting of the company (Sec. 258).

83 Any increase beyond the maximum prescribed by the Articles requires approval of a Central Government. No approval of the Central Government is however required

86%

MATCHING BLOCK 416/685

W

if the increase in number does not make the total number of directors more than 12(

Sec. 259). 4.45.1 Appointment of Director Only individuals can be directors and

96%

MATCHING BLOCK 418/685

SA

004_Business Environment.pdf (D142522848)

no body corporate association or firm can be appointed director of a company (

Sec. 253).

87%

MATCHING BLOCK 419/685

SA

004_Business Environment.pdf (D142522848)

The Articles of a company usually name the first directors (Sec. 254). Their

appointment will be valid only if the conditions prescribed U/s 266 have been complied with viz. (i) that the director has given his consent in writing and the same has been filed with the Register (ii) that he has subscribed to the memorandum undertaking to purchase the qualification shares or has acquired the number of shares prescribed as the qualification for a director or has filed an affidavit with the Register to the effect that he shall take or pay for his qualification shares or that shares of the value not less than that of qualification shares are registered in his name. These restrictions do not apply in case of a private company. Sec. 254 provides that subject to any provisions in

54%

MATCHING BLOCK 426/685

SA

Sambalpur_MBA_SEM_2_Legal Aspects of Business_ ... (D156214893)

the articles, subscribers to the memorandum who are individuals shall be deemed to be the directors of the company till directors are appointed by the company U/s 255. U/s 255, directors are appointed by the company in its first annual general meeting.

82%

MATCHING BLOCK 420/685

W

In case of a public company and a private company which is a subsidiary of a public company unless the

Articles otherwise provide, two thirds of the total numberof directors

62%

MATCHING BLOCK 421/685

W

must be appointed by the company in general meeting and they shall be liable to retire by rotation. The remaining

one third directors in the case of any such company and all the directors in the case of private company not being a subsidiary of any public company subject to any regulations in the Articles are also to be appointed in general meeting. Directors appointed in same day to retire by lot (Sec. 256). U/s 265,

89%

MATCHING BLOCK 422/685

W

the articles of a company may provide for the appointment of not less than 2/3rds of the total number of directors of a public company or of a private company which is a subsidiary of a public company according to the principle of proportional representation whether by single transferable vote or by a system of cumulative voting or otherwise.

The appointments must be made once in 3 years and interim casual vacancies must be filled in as per articles. U/s 260,

76%

MATCHING BLOCK 423/685

W

additional directors hold office only upto the date of the next annual meeting

of the company.

100%**MATCHING BLOCK 424/685****W**

The number of directors and additional directors must not exceed the maximum strength fixed for the Board by the Articles. 84

U/
s 262,

90%**MATCHING BLOCK 425/685****W**

in the case of a public company or a private company which is subsidiary of a public company, if the office of any director appointed by the company in general meeting is vacated before his term of office expires in the normal course, the resulting casual vacancy may subject to any provisions in the Articles be filled by the Board of Directors at its meeting.

A person appointed in the casual vacancy will

81%**MATCHING BLOCK 427/685****SA**

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hold office upto the date upto which the director in whose place he is appointed would have held office

and if it had not been vacated aforesaid. U/s. 313,

84%**MATCHING BLOCK 430/685****SA**

EBSL605 (1).docx (D142458594)

the Board of Directors may if so authorised by its Articles or by a resolution passed by the Company in general meeting appoint an alternate director.

He is to act for the director called

68%**MATCHING BLOCK 428/685****W**

original director during his absence for a period of not less than 3 months from the state in which meetings of the Board are ordinarily held.

U/s 408, the Central Government may appoint such number of persons as the Tri bun el may, by order in writing specify as

96%**MATCHING BLOCK 429/685****W**

effectively safeguard the interest of the company or its shareholders or public interest

of the company or its shareholders or public interest for a maximum period of 3 years at a stretch with a view to preventing oppression of members or mismanagement of the affairs of the company. 4.45.2 Share Qualification of Directors (Sec. 270) The Articles of the company may require the

78%**MATCHING BLOCK 437/685****SA**

004_Business Environment.pdf (D142522848)

Directors to possess a certain amount of shares. Such shares are called Qualification Shares.

When director accepts his appointment of office he is deemed to have contracted with the company that he shall possess the requisite amount of shares within 2 months of the date of his appointment. This he can do either by transfer of share from the shareholders or by purchasing from the company directly. The nominal values of qualification shares shall not exceed Rs. 5,000/- . If after the expiry of the aforesaid period, he does not hold qualification shares, he shall be punishable with fine extending to Rs. 500/- (as per Companies Amendment Act 2002)

96%**MATCHING BLOCK 431/685****W**

for every day between such expiry and the last day on which he acted as director.

He must also vacate his office of director (Sec. 272). 1 Number of Directorships A person cannot at the same time hold office as director in more than 15 (as per Amendment Act 2000) companies (Sec. 275). If

100%

MATCHING BLOCK 432/685

W

a person who is already a director of 15 companies is appointed a director in any other company

or companies

97%

MATCHING BLOCK 433/685

W

the appointment will not be effective unless within 15 days thereafter the director has vacated his office in

some other company or companies (Sec. 277).

85 While calculating the number of directorships, the following companies are excluded : 1.

64%

MATCHING BLOCK 434/685

W

Private company neither a subsidiary or holding company of a public company, 2. Unlimited company. 3. Association not carrying on business for profit or which prohibits payment of dividend. 4. Company in which he is appointed as alternate director (Sec. 278).

61%

MATCHING BLOCK 435/685

W

Any person who holds office as director of more than 20 public companies is liable to be fined

upto Rs. 50,000/- (as per Amended Act, 2000)

100%

MATCHING BLOCK 436/685

W

in respect of each of those companies after the first 15 (

as per Amended Act, 2000). 4.45.3 Disqualification of Directors (Sec. 274)

46%

MATCHING BLOCK 444/685

SA

Ravinder Kumar - Legal Aspects Of Business, 4E ... (D142409269)

The following persons cannot be appointed as directors : 1. A person of unsound mind. 2. An undischarged insolvent. 3. A person who has applied to be adjudged an insolvent. 4. A person who has been convicted of an offence involving moral turpitude and sentenced to 6 months imprisonment and a period of 5 years has not passed from the date of expiry of sentence. 5.

A person

who fails to pay calls for 6 months. 6. A person who has been disqualified by

the Court on the ground of fraud or misfeasance in relation to the

company. A private company may by its articles provide additional disqualifications. 4.45.4

72%

MATCHING BLOCK 438/685

W

Vacation of Office of Director (Sec. 283) The office of a director becomes vacant if : (a) He fails to

qualify within 2 months of his appointment or ceases to hold

the qualification shares. (b) He is adjudged to be of unsound mind. (

84%

MATCHING BLOCK 439/685

W

c) He applies to be adjudged insolvent. (d) He is adjudged an insolvent. (e) He is convicted by Court of any offence involving moral turpitude and

is

52%

MATCHING BLOCK 440/685

W

sentenced to imprisonment for 6 months or more. (f) He fails to pay any call within 6 months from the last date fixed for payment unless the Central Government by notification in the official gazette has removed

the
disqualification.
86 (g)

87%

MATCHING BLOCK 441/685

W

He absents himself from three consecutive meetings of the Board of Directors or from all meetings of the Board for continuous period of 3 months whichever is longer without leave of absence from the Board. (h) He

receives

63%

MATCHING BLOCK 442/685

W

a loan from the company. (i) He fails to disclose to the Board his interest in any contract or

arrangement

of the company. (j) He is debarred by a Court from being a director. (k)
He is removed before expiry of his period of office by ordinary resolution. (1)

97%

MATCHING BLOCK 443/685

W

Having been appointed a director by virtue of his holding any office or other employment in the company he ceases to hold

them. 4.46 Removal of Directors (

100%

MATCHING BLOCK 445/685

SA 004_Business Environment.pdf (D142522848)

Sec. 284) The shareholders may by passing an ordinary resolution at their general meeting remove a director (

not appointed by Central Government) before the

57%

MATCHING BLOCK 446/685

SA On My tips.docx (D26069536)

expiry of his period of office. A special notice is required of any proposed resolution to remove a director.

On receipt of notice, the company must inform the members of the proposed resolution. It must also forthwith send a copy thereof to the director concerned.

75%

MATCHING BLOCK 453/685

SA EBSL605 (1).docx (D142458594)

Where notice is given of a resolution to remove a director, the director concerned

has a right

53%

MATCHING BLOCK 447/685

W

to make representations in writing (not exceeding reasonable length) to the company, which must send a copy of them to every member. If a copy of the representations is not sent because they are received too late or because of company's default, the director may (

without prejudice to his right to be heard orally) require that the
representations shall be read out
at the meeting.

The

46%

MATCHING BLOCK 448/685

W

vacancy created by the removal of a director may be filled up in the same meeting provided special notice of the proposed appointment was also given. The successor can hold office until the date up to which his predecessor would have held office if

he had not been removed. 4.47
Powers of the Board of Directors U/s 292

40%

MATCHING BLOCK 449/685

W

of the Act, the Board of Directors may exercise any of the following powers on behalf of the company and may do so only by means of a resolution passed at the meeting of the Board (a) make calls on shareholders (b) issue debentures (c) borrow moneys otherwise than on debentures (d) invest funds of the company (e)

make loans.
Sec. 293 lays down
the following restrictions on
the Board
of Directors.
The Board of
87 Directors cannot exercise these

78%

MATCHING BLOCK 450/685

W

powers except with the consent of the company at its general meeting : (a) Sell, lease or dispose of the whole or substantially the whole of the companies' undertakings. (

b)

96%

MATCHING BLOCK 451/685

W

Remit or give time for repayment of any debt due by a Director. (

c) Invest the compensation received by it upon compulsory acquisition of any of the companies undertakings or properties otherwise than in trust securities. (d) Borrow in excess of the aggregate of paid up capital and free reserves. (e) Contribute to charitable or

93%

MATCHING BLOCK 452/685

W

other funds not relating to the business of the company or welfare of its employees

in excess of Rs. 25,000/-or 5% of the average net profits during the three preceding financial years. 4.48 Remuneration of Directors

60%

MATCHING BLOCK 454/685

SA NOTES.docx (D143726320)

The remuneration payable to Directors is governed by the Articles or by a resolution passed at the general meeting

of the
company. The rules relating to managerial remuneration are as follows : 1. U/s 198 of the Act, managerial

100%

MATCHING BLOCK 458/685

SA MBA-401 Business Law.pdf (D164737585)

remuneration shall not exceed 11% of the Net Profits of the company

or minimum remuneration for inadequate profit or loss. The minimum remuneration will be Rs. 40,000/-upto effective capital of Rs. 1 Crore, Rs. 57,000/ -between Rs. 1 and Rs. 5 crores effective capital, Rs. 72,000 between and Rs. 5 and Rs. 10 crores and maximum remuneration will be Rs. 87,000/- when effective capital is more than Rs. 15 Crores. 2. A Director is entitled to receive

39%

MATCHING BLOCK 455/685

W

remuneration either by way of monthly fees or by way of a fee for each meeting of the Board attended by him or partly by one way and partly by the other

Sec. 309 (2). 3. A Director either in whole time employment or a

89%**MATCHING BLOCK 456/685****W**

Managing Director may be paid remuneration either by way of monthly fees or at a specified% of the Net Profits of the company or partly by one way and partly by other except with the approval of the Central Government. But such remuneration shall not exceed 5% of the Net Profits

of the company

has two or more directors 10% of the Net Profits of the company for all of them taken together Sec. 309 (3). 4. A Director not in whole time employment or a Managing Director may be allowed

57%**MATCHING BLOCK 457/685****W**

a monthly, quarterly or annual sum with the approval of the Central Government or a commission on Net Profits if sanctioned by a special resolution. Such

commission

shall not exceed for all directors taken together (a) 1%

68%**MATCHING BLOCK 460/685****SA**

MBA-401 Business Law.pdf (D164737585)

of the Net Profits of the company if it has a whole time director or managing director of (b) 3% of the Net Profits of the company in other

cases. Commission in excess of the above rates requires approval of the Central Government and also passed by a resolution at the general meeting of the company Sec. 309(4). 5. A whole time Director or Managing Director who receives commission on Net Profits shall not receive any remuneration from a subsidiary company Sec. 309(6). 6. A Director who receives remuneration in excess of the above limits is liable to return the same to the company Government's consents.

81%**MATCHING BLOCK 459/685****W**

The above provisions do not apply to a private company other than a subsidiary of a Public company Sec. 309 (5). 7.

Any provisions relating to the alteration of managerial remuneration may be amended by a public company of its subsidiaries will be ineffective unless otherwise approved by Central Government Secs. 310-11. A Director's fee for attending a meeting of the Board or Committee can be increased upto Rs. 250 without Government sanction. For paid up capital upto Rs. 50 lakhs -Rs. 500, between Rs. 50 lakhs and Rs. 5 crores - Rs. 750 and between Rs. 5 crores and Rs. 10 crores - Rs. 1000. 8. A Company cannot pay to any officer or employee remuneration free of Tax Sec.200. 9. The Central Government is empowered to fix a ceiling on managerial remuneration (Sec. 637AA). 4.49 Loans to Directors (Sec. 295) Without the previous sanction of the Central Government a company, cannot directly or indirectly make any loan, give any guarantee or provide any security for any loan to : (a) Any director of the company or to the directors of its holding company or to

75%**MATCHING BLOCK 461/685****SA**

Ravinder Kumar - Legal Aspects Of Business, 4E ... (D142409269)

any partner or relative of any director. (b) Any firm in which any such director or relative is a partner. (

c)

56%**MATCHING BLOCK 462/685****SA**

Ravinder Kumar - Legal Aspects Of Business, 4E ... (D142409269)

Any private company of which any such director is a director or member. (d) Any body corporate at whose meeting any director or directors control 25% of the total voting power. (

e)

46%**MATCHING BLOCK 467/685****SA**

Ravinder Kumar - Legal Aspects Of Business, 4E ... (D142409269)

Any body corporate whose Board of Director or manager is required to act in accordance with the directions of the Board of Directors or of any director or directors of the lending company. 89

The above provisions do

100%**MATCHING BLOCK 463/685****W**

not apply to a private company, which is not a subsidiary of a public company

or a

banking company or

a Holding Company to its subsidiary. A director to whom loan is given shall be punishable with simple imprisonment up to 6 months or fine up to Rupees fifty thousand as per Amended Act 2000 effective 13.12.2000. 4.50 Contracts in which a Director is interested (Secs. 297, 299, 300) A Director

or his relative or a

or his relative or a

63%**MATCHING BLOCK 464/685****W**

firm in which he is a partner or a private company in which he is a member or director cannot enter into a contract with the company for the sale, purchase or supply of goods, materials and services and for underwriting the subscription of its shares or debentures

except with the consent of the Board of Director. Where the paid up capital of a company is not less than 1 crore of rupees the aforesaid contract shall not

100%**MATCHING BLOCK 465/685****W**

be entered into except with the previous approval of the Central Government.

The

above rule does not apply to : (a) Contracts for the sale, purchase or supply of goods and material for cash at prevailing market prices.

(b) Contracts for the sale, purchase or supply of goods, materials and services in which either of the parties regularly transact or does

business provided that the value of goods does not exceed Rs. 5,000/- in any year. (c) Any transaction of banking or insurance company in the ordinary course of business. Only in urgent cases can contracts be entered into without prior consent of the Board of

Directors. Such consent must be ratified within 3 months of the date on which the contract was entered into. The consent of the

Board must be given by a resolution passed at the meeting. If consent is not given, anything done in pursuance of the contract shall

100%**MATCHING BLOCK 466/685****W**

be voidable at the option of the Board of Directors.

Every Director who

71%**MATCHING BLOCK 468/685****SA**

Ravinder Kumar - Legal Aspects Of Business, 4E ... (D142409269)

is in any way interested in a contract by or on behalf of the

company must intimate the Board of

88%**MATCHING BLOCK 469/685****SA**

MBA-401 Business Law.pdf (D164737585)

the nature of his concern or interest at the meeting of the Board

of

88%**MATCHING BLOCK 470/685****SA**

MBA-401 Business Law.pdf (D164737585)

the nature of his concern or interest at the meeting of the Board.

If he fails to disclose his interest he is punishable with fine which may extend to Rs. 5,000/-. He must not vote on any contract or arrangement in which he is interested unless authorised by the Articles. If he votes, his vote would not be counted. His presence would not count towards a quorum.

90 | Register of Director's Shareholdings (Sec. 307) Every company shall keep a Register of Director's Shareholdings showing in respect of each director the number, Description and amount of the shares or debentures in

70%

MATCHING BLOCK 478/685

SA On My tips.docx (D26069536)

the company or its subsidiaries or its holding company or subsidiary of a holding company

held by or in trust for each director or of which each director has the right to become the holder. The register must also show the date of and the price or other consideration for the transaction. The register

89%

MATCHING BLOCK 471/685

W

must be kept at the registered office of the company and must be open

to inspection

for a period beginning 14 days and ending 3 days after the annual general meeting. The register must be open to inspection of members before the annual general meeting. I Register of Contracts (Sec. 301) Every company shall keep an register in which particulars of all contracts entered into by the company shall be included. The particulars shall include : (1) Date of the contract or arrangement (2) Names of the parties thereto (3) Principal Terms & Conditions thereof (4) Names of Directors voting for and against the contract and those remaining neutral.

89%

MATCHING BLOCK 472/685

W

If default is made, the company & every officer of the company who is in default is punishable with fine which may extend to

Rupees five thousand as per Amended Act, 2000. The register

79%

MATCHING BLOCK 473/685

W

must be kept at the registered office of the company and must be open to inspection of

members. I Compensation

80%

MATCHING BLOCK 474/685

W

for Loss of Office of Director (Sec. 318) No compensation for loss of office may be paid by a company to any director other than managing or whole time

directors or directors who are managers. In the case of managing or whole time directors or managing director no such payment will be made where : 1. Director

100%

MATCHING BLOCK 475/685

W

resigns his office on reconstruction or amalgamation of the company

or for some other reason. 2. Office of Director has to be compulsorily vacated. 3. Company is being wound up due to the negligence or default of the Director. 4. Director is

77%

MATCHING BLOCK 476/685

W

guilty of fraud or breach of trust or gross negligence or gross mismanagement in the conduct of the affairs of the company or any subsidiary or holding company thereof. 5. Director has instigated or taken part directly or indirectly in bringing about termination of office. 91 Where compensation is payable, it must not exceed the remuneration which would have been eared for the unexpired residue of the term or 3 years whichever is shorter calculated on the basis of the average remuneration actually earned by him during a period of 3 years immediately preceding the date on which he ceased to hold office or where he held office for a lesser period than 3 years during such period. 4.51

Office of Profit of Director (Sec. 314) The following parties cannot hold any office or place of profit in a company carrying a total monthly remuneration of Rs. 500/- or more except with

63%

MATCHING BLOCK 477/685

W

the consent of the company accorded by a special resolution either in general meeting or within 3 months from the date of appointment whichever is later. (a)

A director of the Company. (b) A partner or relative of such director. (c) A

81%

MATCHING BLOCK 479/685

W

firm in which such director or relative of such director is a partner. (d) A private company of which such director is a director or member. (e) Any director or manager of such a private company.

These provisions do not apply to a managing director, manager, legal adviser, banker or trustee for the holders of debentures of the company. The appointment of the following persons to a place of profit in the company which carries a remuneration of not less than Rs. 3,000/- shall be made only with the prior consent of the company

95%

MATCHING BLOCK 480/685

W

by a special resolution and the approval of the Central Government : (

a)

68%

MATCHING BLOCK 481/685

W

Partner or relative of a director or manager. (b) Firm in which such director or manager or relative of either is a partner. (c) Private company of which such a director or manager or relative of either is a director or member. If any office or place of profit

is held in contravention of this provision, the director, partners, relative, firm, private company or manager concerned shall be deemed to have vacated his or its office on and from the expiry of 6 months from the commencement of the Companies (Amendment) Act 1974 or

100%

MATCHING BLOCK 482/685

W

the date next following the date of the general meeting

of the company whichever is earlier and

92%

MATCHING BLOCK 483/685

W

shall be liable to refund to the company remuneration received or monetary equivalent of

any perquisite or advantage enjoyed. If any office or place of profit is held without prior consent of the company

95%

MATCHING BLOCK 484/685

W

by a special resolution and the approval of the Central Government,

the partner, relative, firm or private company

95%

MATCHING BLOCK 485/685

W

shall be liable to refund to the company any remuneration or

other ·

92 benefit received. The company is precluded from waiving the recovery of any sum refundable to it. The provisions of the section do not apply to a person who

88%**MATCHING BLOCK 486/685****W**

is appointed by the Central Government U/s 408 as a director of the Company.

If any party holds an office of profit under the company in contravention of the above provisions, he or it is deemed to have vacated his office and is also liable to refund to the company and remuneration received. The company shall not waive the recovery of any sum refundable to it unless permitted by the Central Government. 4.52 Sole Selling Agent (Sec. 294)

78%**MATCHING BLOCK 487/685****SA** 004_Business Environment.pdf (D142522848)

The term 'Sole Selling Agent' means an individual firm or company who or which is given

the

89%**MATCHING BLOCK 491/685****SA** 004_Business Environment.pdf (D142522848)

exclusive rights to sell in a particular area the goods of the company concerned.

The Board of Directors may appoint a sole selling agent for any area subject to the following conditions : 1. The appointment should not be for a term exceeding 5 years in the first instance. It may be extended by further periods not exceeding 5 years on each occasion. 2. The appointment is valid provided it is approved by the company at the first general meeting held after the date on which the appointment is made. 3. If the company disapproves the appointment at the general meeting, it shall cease to be valid with effect from the date of the general meeting. The Central Government may if it thinks necessary require the company to furnish the terms & conditions on which the appointment of sole selling agent was made. If the company refuses, the Government is empowered to appoint a suitable person to investigate and report on the terms & conditions of such appointment. If the terms & conditions are found prejudicial, the Central Government shall modify them so that they are no longer prejudicial to company's interests. The Central Government has the power to declare a selling agent as the sole selling agent for any area with effect from such date as specified in the order. No compensation for loss of office shall be paid by the company to its sole selling agent where : 1. Appointment of sole selling agent is not approved by the company at its general meeting. 2.

100%**MATCHING BLOCK 488/685****W**

He resigns his office on reconstruction or amalgamation of the company

or on his own will.

93 3. He is

71%**MATCHING BLOCK 489/685****W**

guilty of fraud or breach of trust or gross negligence in the conduct of

his duty. 4. He has

91%**MATCHING BLOCK 490/685****W**

instigated or taken part directly or indirectly in bringing about termination of

sole selling agency. The appointment of sole selling agent has been prohibited in certain cases : 1. Sole selling agent in respect of goods of any kind specified by the Central Government by a notification, the demand for which is substantially in excess of production or supply of such good and which have an easy market, for such period as may be specified. 2. Any individual, firm or body corporate who or which has substantial interest in the company as sole selling agent unless such appointment has been previously approved by the Central Government. Appointment of sole selling agent in Companies with paid up capital of Rs. 50 lakhs requires approval of the shareholders by a special resolution and also of the Central Government. In case of appointment of sole selling agent before the commencement of the companies (Amendment) Act 1974, the company, is required to obtain its approval by a special resolution and from the Central Government within 6 months. Otherwise the appointment shall terminate on the expiry of 6 months from such commencement. 4.53 Managing Director-Appointment, Disqualification and Time Limit U/S 2(26),

89%

MATCHING BLOCK 492/685

W

Managing Director means a director who by virtue of an agreement with the Company or of a resolution passed by the company in general meeting or by its Board of Directors or by virtue of its memorandum or articles of association is entrusted with substantial powers of management which would not otherwise be exercisable by him

and

100%

MATCHING BLOCK 493/685

W

includes a director occupying the position of a managing director by whatever name

is called. U/s 267, no person can be appointed a managing or whole time director who : (a)

89%

MATCHING BLOCK 494/685

W

Is an undischarged insolvent or has at any time been adjudged an insolvent. (b) Suspends or has at any time suspended, payment to his creditors or makes or has at any time, made a composition with them. (c) Is or has at any time been convicted by a Court of an offence involving moral turpitude.

97%

MATCHING BLOCK 495/685

W

In case of a public company or a private company which is a subsidiary of a public company, the

appointment of

a person for the first time as a managing or whole time director or of a director not liable to retire by rotation can be made only with the approval

of the Central Government (Sec. 268). Such an appointment can

52%

MATCHING BLOCK 496/685

W

be made without the approval of the Central Government if the company is incorporated after the commencement of the

Companies Act. The appointment has to be approved by the Central Government within 3 months of the incorporation in order to be effective (Sec. 269). No person can be managing director of more than one

96%

MATCHING BLOCK 497/685

W

public company or private company which is a subsidiary of a public company.

He can be managing director of two such companies if the second appointment is approved by a resolution of the Board of Directors. The Central Government may however allow a person to be managing director of more than two such companies if it is satisfied that the companies

90%

MATCHING BLOCK 498/685

W

for their proper working should function as a single unit and have a common managing director (

Sec. 316). A managing director can be appointed for a term of not more than 5 years at a time. Re-appointment or extension is possible on the basis of 5 years tenure on each occasion (Sec. 317). 4.54 Manager U/s 2(24),

95%

MATCHING BLOCK 499/685

W

Manager means an individual who subject to the superintendence, control and directions of the Board of Directors has the management of the whole or substantially the whole of the affairs of the company and includes a director or any other person occupying the position of manager by whatever name called and whether under contract of service or not. 4.55

Prevention of Management by Undesirable Persons If an undischarged insolvent acts as director or discharges

55%

MATCHING BLOCK 500/685

W

the functions of manager or directly/indirectly takes part in the promotion, formation or management of any company

he may be sentenced to imprisonment for 2 years or fined upto Rs. 50,000/- (Amended Act, 2000) or with both (Sec. 202). The Court may prohibit persons (a)

47%

MATCHING BLOCK 501/685

W

convicted of any offence in connection with promotion or management of a company (b) in course of winding up has been (i) guilty of any offence for which he is punishable U/s 542 (ii) otherwise guilty while an officer of

the company or of any breach of his duty to the company (Sec. 203). 4.56 Books of Account (Sec. 209)

65%

MATCHING BLOCK 502/685

W

Every company shall keep at its registered office, proper books of account with respect to : 95 (a) All sums of money refunded and expended by the company and the matters in respect of which receipt and expenditure take place. (b) All sales and purchasers of goods by the company. (c)

The assets and liabilities of the company. (d)

60%

MATCHING BLOCK 509/685

SA 004_Business Environment.pdf (D142522848)

Particulars relating to utilization of material, labour and other items of cost, if so required by the Central Government.

Where a company has a branch office whether in India or outside, proper summarised returns of such branch office made upto date at intervals of not more than 3 months are to be sent by the branch

77%

MATCHING BLOCK 503/685

W

to the registered office. The books of account must give a true and fair view of the state of affairs of the company or branch office as the case may be

and explain its transactions. The Board of Directors may keep the books at some other place in India but the address of such place must be notified to the Registrar within 7 days of the decision to do so. Books of account upto 8 years previous to the current year must be kept in order together with the relevant vouchers. The books of account are open to inspection by any director during business hours as also by the Registrar or any officer authorised by Central Government. If the books of account are not properly kept, every person responsible may be fined upto Rs. 10,000/- and imprisoned upto 6 months (Amended Act, 2000). Also, if proper books of account have not been kept by the company throughout the period of 2 years or a shorter period before winding up,

84%

MATCHING BLOCK 504/685

W

every officer who is in default is punishable with imprisonment for a term

extending

1 year (Sec. 541). 4.56.1 Annual Accounts and Balance Sheet Under section 20 I, The Board of Directors shall lay before the company at every annual general

100%

MATCHING BLOCK 505/685

W

meeting the balance sheet and the profit and loss account.

In case of companies not carrying on business for profit there shall be an income and expenditure account

63%**MATCHING BLOCK 506/685****W**

instead of profit and loss account. The profit and loss account relate. I. In the case of first annual general meeting to the period beginning with the incorporation of

the company and ending with a day, the interval between which and the date of the meeting does not exceed 9 months. 2.

84%**MATCHING BLOCK 507/685****W**

In the case of any subsequent annual general meeting to the period beginning with the day immediately after the

period for which the preceding accounts was made and ending with a day, the interval between which and the date of the meeting does not exceed 6 months.

96 The period to which the profit and loss account relates (known as the financial year) must not exceed 15 months although it may be extended to 18 months with the special permission of the Registrar. Failure to comply with the above provisions will cause every person in default to

75%**MATCHING BLOCK 508/685****W**

be punishable with imprisonment for a term extending to 6 months or with fine upto Rs. 10,000/- or with both (

Sec. 210). (Amended Act, 2000)

89%**MATCHING BLOCK 510/685****W**

Every balance sheet of a company must give a true and fair view of the state of affairs of the company as at the end of the financial year. It shall be in the form set out in Part-I of Schedule-

VI to the Act or in such other form as the Central Government may approve (Sec. 211) Every

80%**MATCHING BLOCK 511/685****W**

balance sheet and profit and loss account of a company must be duly signed on behalf of the Board of Directors by the

73%**MATCHING BLOCK 512/685****W**

manager/secretary and not less than 2 directors one of whom shall be a managing director (

Sec. 215). The profit and loss account and the auditor's report must be annexed to the balance sheet. (Sec. 216).

100%**MATCHING BLOCK 513/685****W**

A copy of the balance sheet together with the profit and loss account

and the auditor's report must be sent to every member, debenture holder, trustee for debenture holders, person so entitled 21 days before the meeting. In case of default, the company and its officers shall be punishable with fine extending the Rs. 5,000/- (Sec. 219) (Amended Act, 2000). Three

100%**MATCHING BLOCK 514/685****W**

copies of the balance sheet and profit and loss account

together with other reports and documents are required

85%**MATCHING BLOCK 515/685****W**

to be filed with the Registrar within 30 days from the date on which the

accounts were laid before the company at the annual general meeting (Sec. 220). 4.57 Board's Report (Sec. 217)

67%

MATCHING BLOCK 516/685

W

A report by the Board of Directors must be attached to every balance sheet laid before the company in general meeting. The report must deal with : (a) State of company's affairs. (b) Amounts, which it proposes to carry to reserves. (

c) Amounts recommended

73%

MATCHING BLOCK 517/685

W

by way of dividend. (d) Material changes, affecting financial position of the company, which have occurred between the date of the balance sheet and date of report. 97 (e) Conservation of energy, technology absorption, foreign exchange earnings and outgo

in a prescribed form.

61%

MATCHING BLOCK 518/685

W

The Board's report must also deal with any changes which have occurred during the financial year : (a) In the nature of company's business (b) In the company's subsidiaries or in the nature of business carried on by them. (c) In classes of business in which the company has an interest.

85%

MATCHING BLOCK 519/685

W

The Board is also bound to give fullest information and explanations in its report on every reservation, qualification or adverse remark contained in the auditor's report.

The Board's report is to be signed by its chairman if he is so authorised. If not, the report is to

100%

MATCHING BLOCK 520/685

W

be signed by such number of directors as are required to sign the balance sheet and profit and loss account

of the company.

Companies are

required to indicate the names of employees getting remuneration of Rs. 24,00,000/- p.a. inclusive of perquisite, their relationship with any of the directors in the Board's report to be attached with the Balance Sheet and Profit & Loss Account. 4.58 Appointment of Auditors

Every company must at each annual general meeting appoint an auditor or auditors to

60%

MATCHING BLOCK 521/685

W

hold office from the conclusion of that meeting to the conclusion of the next annual general meeting. The company must within 7 days of the appointment intimate every auditor so appointed [Sec. 244 (1)]. The auditor must within 30 days of the receipt of the intimation inform the Registrar in writing that he has accepted or refused to accept the appointment [Sec. 224 (1

A)]. U/s 224(1B), no company shall appoint or re-appoint any person or firm as its auditor until a written certificate has been received from them that they have kept themselves within the specified limits viz. : 1. 20 companies with

54%

MATCHING BLOCK 522/685

W

paid up capital less than Rs. 25 lakhs. 2. 20 companies of which not more than 10 are companies with paid up capital of Rs. 25 lakhs or more.

At any annual general meeting, a retiring auditor shall be re-appointed unless : (a)

82%

MATCHING BLOCK 523/685

SA

004_Business Environment.pdf (D142522848)

He is not qualified for re-appointment. (b) He has given to the company

notice in writing of

83%

MATCHING BLOCK 524/685

SA

004_Business Environment.pdf (D142522848)

his unwillingness to be re-appointed. (c) A resolution has been passed

at that meeting

94%

MATCHING BLOCK 529/685

SA

004_Business Environment.pdf (D142522848)

appointing somebody instead of him or providing expressly that he shall not be re-appointed. 98 (d) Where notice has been given of an intended resolution to appoint some person or persons in the place of a retiring auditor and by reason of death, incapacity or disqualification of that person or persons the resolution cannot be proceeded with [Sec. 224(2)].

If no auditors are appointed/re-appointed

82%

MATCHING BLOCK 525/685

W

at an annual general meeting, the Central Government may appoint a person to fill the vacancy. The company must within 7 days of the Central Government's power becoming exercisable give notice of

the fact to the Government. Failure to do so will cause the company and its officers to be punishable with fine extending to Rs. 5.000/-[Sec. 224(3) & (4)]. as per Amended Act, 2000.

65%

MATCHING BLOCK 526/685

W

The first auditors of the company are appointed by the Board of Directors within one month of its incorporation. The auditors so appointed shall hold office till the conclusion of the first annual general meeting. The company may at

the meeting remove such auditors and appoint any other persons in their place. The new auditor to be appointed must have been nominated by any member of the company for which a

61%

MATCHING BLOCK 527/685

W

notice has to be given to the members at least 14 days before the date of the meeting. If the Board fails to

appoint first auditors, the company shall have the power to appoint them [Sec. 224 (5)]. Where

50%

MATCHING BLOCK 528/685

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vacancy is caused by the resignation of an auditor, the company shall fill up the vacancy in general meeting. Any auditor thus appointed holds office until the conclusion of the next annual general meeting [

Sec. 224 (6)).

Any
auditor
may

100%

MATCHING BLOCK 537/685

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3 B.COM _ IV SEM _ 22DCBGL43 Company Law.pdf
(D143464602)

be removed from office before the expiry of his term by

96%

MATCHING BLOCK 530/685

W

the company in general meeting after obtaining previous approval of the Central Government [

Sec. 224 (7)).

86%

MATCHING BLOCK 531/685

W

In case of a company in which not less than 25% of the subscribed capital is held whether singly or in combination with a public financial institution or a Government or

any financial or other institutions formed by any State Act in which the State Government holds 51% of the subscribed share capital or

96%

MATCHING BLOCK 532/685

W

a nationalized bank or insurance company carrying on general insurance business, the appointment or

re-appointment of the auditor at each annual general meeting shall be made by a special resolution. The Central Government shall appoint the auditor if the company fails to pass the special resolution at the general meeting [Sec. 224

A]. Special notice is required

for a resolution at a general meeting appointing as auditor a person

91%

MATCHING BLOCK 533/685

W

other than the retiring auditor or providing expressly that the retiring auditor shall not be re-appointed,

such notice must be given to the auditor concerned who is entitled to make a written representation of reasonable length which the company should bring to

the notice of the members otherwise the auditor is entitled to have his

55%

MATCHING BLOCK 534/685

W

representation 99 read out at the meeting. If the auditor abuses this right to secure needless publicity for defamatory matter,

the Court may on application prohibit circulation of the representation (Sec. 225). 4.58.1 Qualification/Disqualification's of an

83%

MATCHING BLOCK 535/685

W

Auditor (Sec. 226) A person is not qualified for appointment as auditor of a company unless he is a Chartered Accountant within the meaning of the Chartered Accounts Act 1949. A firm

of auditors of which all

86%

MATCHING BLOCK 536/685

W

the partners practising in India are qualified for appointment may be appointed by its firm name to be the

auditor of the company. None of the following persons shall be qualified for a appointment as auditor of the

87%

MATCHING BLOCK 545/685

SA 004_Business Environment.pdf (D142522848)

company : (a) A body corporate. (b) An officer or employee of the Company. (c) A person who is a partner or who is in the employment of an officer or employee of the company. (d) A person who is indebted to the company for an amount exceeding Rs. 1,000/- or who has given any guarantee of any third person to the company for an amount exceeding Rs. 1,000/- (e) A person

disqualified for appointment as auditor of

76%

MATCHING BLOCK 538/685

W

any other body corporate, which is that company's subsidiary or holding company or subsidiary of the company's holding company. 4.58.2

69%**MATCHING BLOCK 539/685****W**

Rights and Powers of Auditors [Sec. 227 (1)] Every auditor of the Company shall have the right of access at all times to the books of account and vouchers whether kept at the head officer or elsewhere and shall be-entitled to require from the officers of the company such information and explanation as the auditor may think necessary for the performance of his duties. 4.58.3

Duties of Auditors

93%**MATCHING BLOCK 540/685****W**

The auditor shall make a report to the members of the company on the accounts examined by him and on every balance sheet arid profit and loss account and on every document declared to be part of or annexed to the balance sheet or profit and loss account which are laid before the company in general meeting during his tenure of office. The report shall state (

a)

100%**MATCHING BLOCK 541/685****W**

whether in his opinion and to the best of his information and according to the explanations given to him the said accounts give the information required by

the Act in the manner so required (b) whether the b_alance sheet gives

56%**MATCHING BLOCK 542/685****W**

a true and fair view of 100 the company's affairs as at the end of the financial year and the profit and loss account of the profit and loss for its financial year (

c) whether has obtained all the infonnation and explanations required by him for purposes of audit (d) whether in his opinion

83%**MATCHING BLOCK 543/685****W**

proper returns for the purposes of his audit has been received from

the branches not visited by him (e)

100%**MATCHING BLOCK 544/685****W**

whether the company's balance sheet and profit and loss account dealt with by the report are in agreement with the books of account and returns [Sec. 227(2)].

The auditor shall further enquire into the following matters : (

70%**MATCHING BLOCK 551/685****SA**

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(D156214893)

a) Whether loans and advances made by the company have been properly secured and whether the terms of the loans are not prejudicial to the interests of the company or its members. (b) Whether transactions represented by book entries are not prejudicial to the.interest of the company. (c) Where the company is not an investment or banking company, whether any of its assets - shares, debentures and other securities have been sold at a price less than its purchase price. (d) Whether loans and advances made by the company have been shown as deposits. (e) Whether personal expenses have been charged to revenue account. (f) Whether

cash has been received for shares shown as allotted for cash and if not whether the position as shown in the books of account and balance sheet is correct [Sec. 227 (IA)]. The Central Government may direct the inclusion in the auditor's report, of statements on certain matters to be specified by notification [Sec. 227 (4A)]. Where any of the matters on which the auditor is required to report are answered

91%**MATCHING BLOCK 546/685****W**

in the negative or with a qualification, the auditor's report must state the reason for the answer. 4.58.4

Special Audit (Sec, 233A)

93%

MATCHING BLOCK 547/685

W

Where the Central Government is of the opinion that : (a) The affairs of the company are not being managed in accordance with sound business principles or prudent commercial practices. (b)

The

78%

MATCHING BLOCK 548/685

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company is being managed in a manner likely to cause serious damage to the trade/industry/business to which it pertains. (c) The financial position of

the

86%

MATCHING BLOCK 549/685

W

company is such as to endanger its solvency. The Central Government may appoint a Chartered Accountant or the Company's Auditor to conduct the special

audit of the company's accounts.

55%

MATCHING BLOCK 550/685

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The special auditor has the same powers and duties as an auditor of the company. But he has to make the report to the Central Government. 4.58.5

Cost Audit (Sec. 233 B) Where

42%

MATCHING BLOCK 554/685

SA

004_Business Environment.pdf (D142522848)

a company engaged in production, processing, manufacturing or mining activities has been directed to include particulars relating to utilization of materials, labour or other items of cost

in its books of account, the Central Government may by order direct that the audit of cost accounts of such a company must be conducted by an auditor who

83%

MATCHING BLOCK 552/685

W

must be either a cost accountant within the meaning of Cost & Works accountants Act 1959 or

a Chartered Accountant within the meaning of the Chartered Accountants Act 1949. He

82%

MATCHING BLOCK 553/685

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shall have the same powers and duties as an auditor of the company. He shall make his report to the Central Government and

forward a copy of the report to the company. 4.59 Remedies of Debenture Holders The remedies of debenture holder vary according to whether he is secured or unsecured. An unsecured creditor is in the same position as an ordinary trade creditor. He has two remedies : 1. He can

82%

MATCHING BLOCK 558/685

SA

004_Business Environment.pdf (D142522848)

sue for his principal and interest. 2. He can petition U/s 439 for the winding up of the company by the court

100%

MATCHING BLOCK 555/685

W

on the ground that the company is unable to pay its debts.

A secured creditor has both the above remedies in addition to the following courses open to him : 1. When the company makes default in making payment, any debenture holder may sue but he normally brings an action on behalf of himself and the

47%

MATCHING BLOCK 556/685

W

other debenture holders of the same class. 2. He may appoint a Receiver if the conditions give him the power to do so. 3. He may apply to the Court for foreclosure of the company's right to redeem the debentures. 4.

He may sell the property through trustees if such power is given in

79%

MATCHING BLOCK 557/685

W

the debenture deed. 5. If the company is insolvent and his security is insufficient he may value his security and prove for the balance. 102 4.60

77%

MATCHING BLOCK 559/685

SA 004_Business Environment.pdf (D142522848)

Fixed and Floating Charges A Fixed Charge is one which is created on some ascertained and definite property of the company i.e. charge on land and building.

It precludes

100%

MATCHING BLOCK 560/685

SA NOTES.docx (D143726320)

the company from dealing with that property without the consent of

the holder of the charge. The company can if it wants to deal with that property do so subject to the

100%

MATCHING BLOCK 565/685

SA 004_Business Environment.pdf (D142522848)

charge. A floating charge is an equitable charge, which is created on some class of property, which is constantly changing.

The company can deal with such property in the normal course of business until the charge becomes fixed on the happening of an event. Debentures create

44%

MATCHING BLOCK 561/685

W

a floating charge on the assets of the company. A floating charge crystallizes or gets fixed when : 1. Company goes into liquidation. 2. Company ceases to carry on business. 3.

Receiver is appointed. 4. Default is made in paying principal or interest and the holder of the charge brings an action to enforce his security. In re: Yorkshire Woolcombers Association Ltd., where the company created a charge over its book debts, present and future, the characteristics of a floating charge was : 1.

37%

MATCHING BLOCK 562/685

W

It is a charge on a class of assets of the company present & future. 2. That class is one, which in the normal course of business would be changing from time to time. 3.

Until some steps are taken by or on behalf of those interested in the charge, the company may carry on its business in the usual way. 4.60.1 Registration of Charges (Sec. 125) The following charges must be registered with the Registrar : 1.

62%

MATCHING BLOCK 563/685

W

A charge to secure any issue of debentures. 2. A charge on uncalled share capital. 3. A charge on any immovable property wherever situate or any interest therein. 4. A charge on book debt. 5. A charge not being a pledge on any movable property. 6. A floating charge on any property including stock in trade. 7. A charge on calls made but not paid. 103 8. A charge on a ship or any share in a

ship. 9. A charge on goodwill, patent, trademark or copyright. Particulars of the charge together with the instrument by which the charge is created

87%

MATCHING BLOCK 564/685

W

must be filed with the Registrar within 30 days after the date of

creation of the charge. The Registrar may extend the period by another 7 days on sufficient grounds being shown. If the charge is not registered then : (a) It is void against liquidators & creditors in case of winding-up. (b) Debt becomes immediately payable. (c) Officers of the company are liable for punishment. 4.61 Loan to Companies (Sec. 370) A company shall not : (a) Make any loan. (b)

100%

MATCHING BLOCK 574/685

SA

MBA-401 Business Law.pdf (D164737585)

Give any guarantee or provide any security in connection with

a loan make by any other person to or to any other person by any body corporate unless it is authorised by a special resolution of the lending company. No special resolution shall be necessary where the borrowing company is not under the same management as the lending company and the loan does not exceed 10% of

76%

MATCHING BLOCK 566/685

W

the aggregate of the subscribed capital of the lending company and its free reserves. The

aggregate of the loans made to all companies shall not exceed 30% of

75%

MATCHING BLOCK 567/685

W

the aggregate of the subscribed capital of the lending company and its free reserves

where all other companies are not under the same management as the lending company and 20% where all other companies are under the same management as the lending company. Every lending company shall keep a register showing the names of all companies under the same management as the lending company as also every loan made, guarantee given or security provided by the lending company in relation to any such company. The above restrictions do not apply to any loan made, guarantee given or security provided by a : 1. Holding company to or in respect of any loan made to its subsidiary. 2. Banking or insurance company in the ordinary course of business. 3.

100%

MATCHING BLOCK 568/685

W

Private company unless it is a subsidiary of a public company. 4.

Company established with the object of financing industrial enterprises:

104 4.62 Investment in other Companies (Sec. 372) A company can invest in any other company within the same group upto 10% of the subscribed capital of the other company provided such investment is sanctioned at a meeting of the Board of Directors of the investing company with the consent of all directors present and entitled to vote. Notice of such resolution must be given to all directors. The aggregate investment of a company in other companies in the same group shall not exceed 20% of the subscribed capital of the investing company. The aggregate investment of a company in all other bodies corporate shall not exceed 30% of the subscribed capital of the investing company. A company can invest more than the amounts mentioned if it is sanctioned by a resolution of the members of the investing company and approved by the Central Govt. The above restrictions do not apply to banking or insurance companies,

100%

MATCHING BLOCK 569/685

W

private company unless it is a subsidiary of a public company

investments by a holding company in its subsidiary, investments in right shares U/s 81, any company established with the object of financing industrial enterprises. Every investing company shall keep a register of all investments made by it in shares of other companies showing in respect of each investment : 1. Name of the company in which investment has been made. 2. Date on which investment has been made. 3. Date on which the company came in the same group as the investing company. 4. Names of all companies in the same group as the investing company. Such particulars shall be entered in the register within 7 days of the making thereof. 4.63 Compromise or Arrangements

76%

MATCHING BLOCK 570/685

W

A Compromise may be proposed (a) between company & its creditors or any class of them (b) between company & its members or any class of them.

Upon such a proposal, company or any creditor or any member or liquidator may apply to the Tribunal (Amended Act, 2000) for compromise the Tribunal sanctions the compromise if approved by majority of 3/4ths of creditors or members at the meeting. The Tribunal shall not sanction the compromise unless it is satisfied that all material facts relating to the company has been disclosed to Tribunal. A Certified copy of Tribunal's order is to be filed with the Registrar and annexed to every copy of the memorandum issued subsequently (Sec. 391).

105 When a scheme is sanctioned by the Tribunal, it shall have the power

90%

MATCHING BLOCK 571/685

W

to supervise the carrying out of the arrangement and issue directions.

The Tribunal may order for compulsory winding up if it is of the opinion that the compromise or arrangement cannot be carried out satisfactorily (Sec. 392). 4.63.1 Reconstruction (Sec. 394) Where the scheme of arrangement involves amalgamation of one company with another by transfer of the whole or part of any company to another, the Tribunal may sanction the arrangement by passing orders for any of

66%

MATCHING BLOCK 572/685

W

the following matters : 1. Transfer of the undertaking, property & liabilities of the transferor company to the transferee company. 2. Allotment or appropriation by the transferee company of any shares, debentures, policies or like

interests in that company. 3. Continuation by or against transferee company of any pending proceedings. 4. Dissolution without winding up of any transferor company. 5. Provisions for dissenting member. 6. Any other incidental or consequential matters. No scheme of amalgamation of a company which is being wound up will be sanctioned by the Tribunal

84%

MATCHING BLOCK 573/685

W

unless the Tribunal has received a report from the Registrar that the affairs of the company have not been conducted in a manner prejudicial to the interests of its members or public interest.

No order of dissolution of the company will be passed by Tribunal unless a similar report has been received from the official Liquidator. Within 30 days of the Tribunal's order, the company shall file a certified copy thereof to the Registrar for registration. 4.63.2 Acquisition of Shares of Dissenting Shareholders (Sec. 395) Where the Scheme of reconstruction or amalgamation involving transfer of shares from one company to

50%

MATCHING BLOCK 575/685

SA

NOTES.docx (D143726320)

another has been approved within 4 months by the holders of not less than 9/10ths in value of shares of the transferor company, the transferee company; may

65%

MATCHING BLOCK 581/685

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NOTES.docx (D143726320)

within 2 months after the expiry of the above 4 months give notice to the dissenting shareholders that it desires to acquire their shares. Within one month of the notice, any dissenting shareholder may apply to the Tribunal. If no application is made to the

Tribunal or if the Tribunal refuses it, the transferor company becomes entitled and bound to acquire the shares. The transferee company must within 1 month of the acquisition give notice to the dissenting shareholders. Such shareholders may require the transferee

106 company to acquire their shares within 3 months and the company should do so. The transferee company shall pay the share value to the transferor company whereupon the latter shall register the former as the holder of those shares. The transferor company shall within 1 month of the

100%

MATCHING BLOCK 576/685

W

registration inform the dissenting shareholders of the fact of such registration and

amount received as price from the transferee company the money so received shall be kept in a separate bank account and held in trust for its shareholders. 4.63.3 Amalgamation in National Interest (Sec. 396) Where

88%

MATCHING BLOCK 577/685

W

the Central Government is satisfied that it is essential in public interest that two or more companies should amalgamate it may by order notified in the official gazette provide for the amalgamation of those companies into a single company with such constitution, property, power, rights, interests, authorities and privileges and

shall be subject to

87%

MATCHING BLOCK 578/685

W

such liabilities, duties and obligations as may be specified in the order.

Every member or creditor (including a debenture holder) or each of the companies before amalgamation must have the same interest in or rights against the amalgamated company are in any manner less he is entitled to compensation for the loss. Before issuing the order of amalgamation, the Central Government will send a copy of the proposed order in draft to each of the companies concerned and will consider their suggestions and objections if any. Copies of the order of amalgamation must be laid before both houses of Parliament. 4.64 Prevention of Oppression and Management In cases of oppression, the Tribunal (Amended Act,2002) may give relief if it is of the

85%

MATCHING BLOCK 579/685

W

opinion that : (a) The company's affairs are being conducted in a manner prejudicial

to

94%

MATCHING BLOCK 580/685

W

public interest or in a manner oppressive to any member or members. (b) To windup the company would unfairly prejudice such member or members but that otherwise the facts would justify the making of a winding up order on the ground that it was just and equitable that the company should be wound up (

Sec. 397). In cases of mismanagement, the Tribunal may give relief if it is of the opinion that : (a) The company's affairs are being conducted

54%

MATCHING BLOCK 583/685

SA

004_Business Environment.pdf (D142522848)

in a manner prejudicial to public interest or interests of the Company. (b) A material change has taken place in the management and control of the company and that by reason of

such a change

66%

MATCHING BLOCK 582/685

W

the affairs-of the company are likely to be 107 conducted in a manner prejudicial to public interest or interests of the company (Sec. 398). In the

case of a company having a share capital an application may be made to the Tribunal by : (a)

91%

MATCHING BLOCK 590/685

SA MBA SEM-I Business Law.pdf (D142212465)

Not less than 100 members or not less than 1/ 10th of the total number of members whichever is less. (

b) A

67%

MATCHING BLOCK 584/685

W

member or members holding not less than 1/10 of the issued share capital of the company on which all calls and other sums due have been paid. In the case of a company not having a share capital,

the application may be made to the Tribunal by not less than 1/5 of the total number

69%

MATCHING BLOCK 585/685

W

of members. The Central Govt. may if it in its opinion circumstances exists which make it just and equitable, so to do authorise any member or members to apply (

Sec. 399). U/s 397 & 398 the court may pass such orders as it thinks fit e.g. orders for regulating the future

69%

MATCHING BLOCK 586/685

W

conduct of company's affairs, orders directing the purchase of shares of any members by other members or by the company,

reduction of capital, termination of any agreement between the company and its management, orders for the termination or revision of any agreement between the company and any third person, orders for setting

95%

MATCHING BLOCK 587/685

W

aside any fraudulent preference made within 3 months before the date of application (

Sec. 402).
On the application of 100 members or members holding not less than 1/10 of the voting power,

55%

MATCHING BLOCK 588/685

W

the Central Govt. may (1) appoint such number of directors for a specified period not exceeding 3 years at a time

and such directors shall not be subject to a retirement by rotation nor need they hold any qualification shares (2)

82%

MATCHING BLOCK 589/685

W

direct the company to alter its articles so as to arrange for the election of its directors

by proportional representation (Sec. 408). 4.65 Grounds of Compulsory Winding-up by the Tribunal (Amended Act, 2002) (Sec. 433) (

100%

MATCHING BLOCK 591/685

SA EBSL605 (1).docx (D142458880)

a) If the company has by special resolution resolved that the

company is

92%

MATCHING BLOCK 592/685

SA 004_Business Environment.pdf (D142522848)

wound by the Tribunal. (b) If default is made in delivering statutory report to the Registrar or in holding the statutory meeting. (c) If the company does not commence business within a year from its incorporation or suspends its business for

the whole year.

108 (d)

If

64%

MATCHING BLOCK 594/685

SA

Business Legislation Notes (Indian-Legal-Syste ... (D159771781)

the number of members is reduced i.e. below 7 in case of public company and below 2 in case of private company. (e) If the company

is unable to pay its debts.

44%

MATCHING BLOCK 593/685

W

A company is deemed to be unable to pay its debts in the following cases U/s 434 : 1. If a creditor for a sum of Rupees One Lakh has served on the company a demand for payment and the company for three weeks thereafter has neglected to pay or

satisfy him. 2.

95%

MATCHING BLOCK 595/685

SA

Ravinder Kumar - Legal Aspects Of Business, 4E ... (D142409269)

If execution or other process issued on a decree or order of

the
court

94%

MATCHING BLOCK 596/685

SA

Ravinder Kumar - Legal Aspects Of Business, 4E ... (D142409269)

in favour of a creditor of the company is returned unsatisfied in whole or in part. 3. If it is proved to the satisfaction of the Tribunal) that the company is unable to pay its debts. (

f)

72%

MATCHING BLOCK 599/685

SA

Sambalpur_MBA_SEM_2_Legal Aspects of Business_ ... (D156214893)

If the Tribunal is of the opinion that it is just and equitable that the company be wound up e.g. when the substratum of the company

is gone, when there is a deadlock in the management of the company, when the objects of the management of the company, when the objects of the company-were fraudulent, when the company is carrying on its business at a continuous loss. 4.66 Who may Petition (Sec. 439) (a) If a special resolution has been passed by the company for presenting a petition to the Tribunal (by Amended Act, 2002) for winding up. (b) If the leave of the Tribunal (Amended Act, 2002) Court has been obtained by the creditor (including any contingent or prospective creditor) for admitting a petition to the Court for winding-up. (c) If a petition to the Tribunal (Amended Act, 2002) for winding-up has been presented by the contributory on the following grounds viz. when membership is reduced below the statutory minimum, when he is an original allottee of shares, when he has held his shares for any 6 out

55%

MATCHING BLOCK 597/685

W

of the previous 18 months, when the shares have developed on him through the death of a former holder. (

d) If a petition to the Tribunal for (Amended Act, 2002) for winding up has been presented by any of the aforesaid parties together. (e) If a petition to the Tribunal (Amended Act, 2002)for winding-up has been presented by the Registrar

91%

MATCHING BLOCK 598/685

W

on the following grounds viz. when default is made in delivering the statutory report to the Registrar or in holding the statutory meeting, when the company does not commence its business within a year from its incorporation or 109 suspends its business for

the whole year, when

100%

MATCHING BLOCK 602/685

SA

004_Business Environment.pdf (D142522848)

the company is unable to pay its debts. (f) If

a petition to the Tribunal (Amended Act, 2002) for winding-up has been presented by any person authorised by the Central Govt., U/s 243 upon a report from the inspector. (g) If a petition to the Tribunal (Amended Act, 2002) for winding-up has not been made, the workers of company are entitled to appear and be heard. They may prefer an appeal and contend that no winding-up order be made. Also winding-up can be ordered by the BiFR (Board of Industrial Finance and Reconstruction). The Tribunal (by Amended Act, 2002) shall not make the

100%

MATCHING BLOCK 600/685

W

winding-up order unless it is satisfied that the voluntary winding-up

or winding up subject to supervision of the Court presented by any of the above persons or the official Liquidator cannot be continued in the interests of the creditors or contributories or both (Sec. 440). 4.67 Powers of the Tribunal on hearing Petition (Sec. 443)

84%

MATCHING BLOCK 601/685

W

On Hearing a winding up petition, the Tribunal may : 1. Dismiss it with or without costs. 2. Adjourn the hearing conditionally or unconditionally. 3. Make any interim order

as it thinks fit. 4.

88%

MATCHING BLOCK 605/685

SA

EBSL605 (1).docx (D142458880)

Make an order for winding up of the company with or without cost or any other order as it thinks fit.

98%

MATCHING BLOCK 603/685

W

Where the petition is presented on the ground that it is just & equitable that the company should be wound up, the court may refuse to make

a winding-up order if the petitioners are acting unreasonably in seeking winding-

82%

MATCHING BLOCK 604/685

W

up instead of pursuing some other remedy. Where the petition is presented on the ground of default in delivering statutory report to the Registrar or in holding the statutory meeting, the Tribunal may instead of making winding-up order direct that the statutory report be delivered or that a meeting be held.

The Tribunal may also order the costs to be paid by persons responsible for default. 4.68 Powers of the Liquidator (Sec. 457) 1.

With the sanction of the Tribunal the Liquidator shall have the power

to : (

a)

87%

MATCHING BLOCK 606/685

SA

004_Business Environment.pdf (D142522848)

Institute or defend any suit, prosecution or legal proceeding in the name of the company. 110 (b) Carry on business of the company for its beneficial winding-up. (c) Sell company's property. (

87%

MATCHING BLOCK 607/685

SA

EBSL605 (1).docx (D142458880)

d) Sell whole of the undertaking of the company as a going concern. (e) Raise money on the security of

company's assets. (

f) Do all other things necessary for winding-up. (

g) Appoint advocate, attorney or pleader to appear before Tribunal so as to assist him in his duties. 2.

Without the sanction

70%

MATCHING BLOCK 608/685

SA EBSL605 (1).docx (D142458880)

of the Tribunal : (a) Do all acts and execute in the name of the company all deeds, receipts & other documents. (

b)

77%

MATCHING BLOCK 612/685

SA EBSL605 (1).docx (D142458880)

Inspect the records & returns of the company on the files of the Registrar. (c) Prove, rank & claim in the insolvency

of any contributory and the receive dividends therefrom. (d)

63%

MATCHING BLOCK 609/685

W

Draw, accept, make, endorse any negotiable instrument in the name of the company. (e) Take out in his official name, letters of administration to any deceased contributory

and do

other things necessary to obtain payment. (f) Appoint an agent for business, which he is unable to carry out. 4.68.1 Duties of the Liquidator After the winding up order is made, the Liquidator shall take into his custody and control all properties of company effects and actionable claims. His principal duty is to collect the assets of the company, make a list of creditors, pay the claims of the creditors pro rata and distribute the balance among the shareholders. The Liquidator must pay all moneys received by him

100%

MATCHING BLOCK 610/685

W

into the public account of India in the Reserve Bank of India.

He must submit the prescribed returns & reports to the Tribunal. He must keep prescribed books of account and they must be audited at least twice a year. 4.69 Contributories

69%

MATCHING BLOCK 611/685

W

Contributory means every person liable to contribute to the assets of the company in the event of winding-up. It includes holder of fully paid shares (

Sec. 428). In the event of the company being wound-up, every present and past member is

47%

MATCHING BLOCK 613/685

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liable to contribute to the assets of the company so far as it is necessary for payment of its debts & liabilities; costs, charges & expenses of winding-up; for adjustment of the rights of the contributors among themselves. 111

The liability of the present members is limited : 1. In case of company limited by shares, to

76%

MATCHING BLOCK 614/685

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the amount remaining unpaid on the shares in respect of which he is liable. 2. In case of company limited by guarantee

to

100%

MATCHING BLOCK 621/685

SA EBSL605 (1).docx (D142458880)

the amount undertaken to be contributed by him to the assets of the company in the event of

winding up.
The

liability of
a past member (person who

60%

MATCHING BLOCK 615/685

W

ceased to be a member within a year before the commencement of winding-up) is not liable to contribute : (1)

70%

MATCHING BLOCK 616/685

W

If he ceased to be a member for one year or upwards before the commencement of the winding-up. (2) In respect of any debt or liability of the company contracted after he ceased to be a member. (3)

90%

MATCHING BLOCK 617/685

W

Unless it appears to the court that the present members are unable to make the contributions

required

of them (Sec. 426). Upon the death of a contributory, his legal representative becomes a contributory (Sec. 430). If the contributory is a company which is being wound up its liquidator represents it (Sec. 432). 4.70

Voluntary Winding-Up

83%

MATCHING BLOCK 618/685

W

Voluntary winding-up means winding up by the members themselves or creditors

of the company without the intervention of the court. A company may be wound up voluntarily : 1. By passing an ordinary resolution in the following cases : (a) Where the duration of the company was fixed by the articles and the period has expired. (b) Where the articles provided for winding-up on the occurrence of an event and the specified event has occurred. 2. By passing a special resolution in all other cases (Sec. 484). Within 14 days

62%

MATCHING BLOCK 619/685

W

of the passing of the resolution for voluntary winding-up, it must be notified to the

public by an advertisement in the official gazette and in a local newspaper (Sec. 485).]

100%

MATCHING BLOCK 620/685

W

A voluntary winding up is deemed to commence at the time when the resolution for winding-up is passed (Sec. 486). 112 4.71

Declaration of Solvency (Sec. 488)

86%

MATCHING BLOCK 624/685

SA

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In a voluntary winding-up if a declaration of Solvency is made, it is members voluntary winding-up.

If not it is creditors

76%

MATCHING BLOCK 622/685

W

voluntary winding-up. The Declaration of Solvency must be made by a majority of the

directors

at a meeting

of

87%**MATCHING BLOCK 623/685****W**

the Board that the company has no debts or that it will be able to pay its debts in full within 3 years from the commencement of the winding-up.

The declaration must be supported by an affidavit of the above directors and

44%**MATCHING BLOCK 625/685****SA** MBA SEM-I Business Law.pdf (D142212465)

must be made within 5 weeks immediately preceding the date of the resolution for winding-up and must be delivered to the Registrar for Registration before that date. The declaration must be accompanied by a copy of the auditor's report on the profit & loss account,

the balance sheet and a statement on the company's assets & liabilities as on the latest practicable date before making the declaration. 4.72 Procedure of a Voluntary Winding-up In a Members' Voluntary Winding up : 1. Declaration of Solvency. 2. Statutory Declaration to the Registrar. 3. A resolution in a general meeting of the company within 5 weeks of Declaration of Solvency. 4. Appointment of Liquidator. 5. Collection the company's assets, pay the liabilities of the company and pay the balance of the proceeds to the contributories. In a Creditors' Voluntary Winding-up : 1. A resolution for the

62%**MATCHING BLOCK 626/685****SA** COMPANY LAW - Dr.C.Sahila.pdf (D142738127)

winding-up of the company in a general meeting of the company. 2. On the same day/

following day there must be creditors' meeting where the directors shall state the position of the company and the list of creditors. 3. Appointment of Liquidators at the meeting of members and creditors. Creditors' nominees are preferred. 4. A Committee of Inspection. 5. Winding-up procedure as per Statute. 4.72.1

90%**MATCHING BLOCK 629/685****SA** COMPANY LAW - Dr.C.Sahila.pdf (D142738127)

Consequences of Winding-up (i) As to Shareholders-A shareholder is liable to pay the full amount upto the face value of the shares held by him. 113

The liability of the shareholder continues even after the company goes into liquidation as he is then described as a contributory.

72%**MATCHING BLOCK 627/685****W**

The liability of the present contributory is the amount remaining unpaid on shares held by him. A past contributory will be called upon to pay if the present contributory is unable to pay. (ii) As to Creditors -A company may be wound-up (

i) when it is unable to pay its debts (

ii) when it is solvent. When a solvent company is wound up all claims of the creditors when proved are fully met. When an insolvent company is wound up the law of insolvency applies. The creditors may be secured or unsecured. A secured creditor has 3 alternatives before him. (1) He may rely on security and ignore liquidation. (2)

85%**MATCHING BLOCK 628/685****W**

He may value his security and prove for the deficit. (3) He may surrender his security and prove for the whole

debt. An unsecured creditor of an insolvent company is paid in the following order (1) Preferential payments U/s 530 (2) other debts pari passu. (iii)

92%**MATCHING BLOCK 636/685****SA** 004_Business Environment.pdf (D142522848)

As to servants & officers-A winding up order serves as a notice of discharge to the employees and officers of the company except when business of the company is being continued (Sec. 444). A voluntary winding-up also operates as notice of discharge. 4.73

Preferential Payments (Sec. 530) They are as follows : (a) All revenues, taxes, cesses and rates are payable by the company within 12 months next before the commencement of

70%	MATCHING BLOCK 630/685	W
winding-up. (b) All wages or salary of any employee for a period not exceeding 4 months within the 12 months next before the commencement of winding-up provided the amount payable to one claimant will not exceed Rs. 1,000/- (
100%	MATCHING BLOCK 631/685	W
c) All accrued holiday remuneration becoming payable to any employee on account of winding-up. (d) Unless		
100%	MATCHING BLOCK 632/685	W
the company is being wound up voluntarily for the purpose of reconstruction all contributions payable during 12 months next before winding up the company as the employer of any persons under E.S.I.		
100%	MATCHING BLOCK 633/685	W
Act 1948 or any other law for the time being in force. (e) All sums due as compensation under Workmen's Compensation Act 1923. (
97%	MATCHING BLOCK 634/685	W
f) All sums due to any employee from a provident fund, a pension fund, a gratuity fund or any other fund for the welfare of employees maintained by the company. (g) Expenses of enquires and investigations payable by companies. 114 4.74 Defunct Companies (Sec. 560) A defunct company is one, which		
100%	MATCHING BLOCK 635/685	W
is not carrying on business or is not in operation. When		
100%	MATCHING BLOCK 637/685	W
the Registrar has reasonable cause to believe that a company has become defunct, he shall send a letter to the company asking whether it is so. If no reply is received within one month, the Registrar shall within another 14 days send		
62%	MATCHING BLOCK 638/685	W
a registered letter referring to the first letter. If no answer is received to the second letter within one month a notice is to be published in the official gazette and letter is to be sent to the company informing it that its name shall be struck off the register within 3 months,		
84%	MATCHING BLOCK 642/685	SA EBSL605 (1).docx (D142458880)
the Registrar shall strike off the name of the company from the register.		

The same procedure is also followed in case of winding up

76%

MATCHING BLOCK 639/685

W

of a company. If the company or any member or creditor feels aggrieved by the

company having been struck off the register he may within 20 years apply

75%

MATCHING BLOCK 640/685

W

to the court. The court may order the name of the company to be restored to the register

if it is satisfied that the company was at the time of the striking off, carrying on business or was in operation. Upon

75%

MATCHING BLOCK 641/685

W

a certified copy of the Court's order being delivered to the Registrar for registration, the company is deemed to have continued in existence as if its name had not been struck off. 4.75

Questions 1. Enumerate the characteristics

100%

MATCHING BLOCK 644/685

SA

Ravinder Kumar - Legal Aspects Of Business, 4E ... (D142409269)

of a company. 2. Distinguish between a private company and a public company.

When does a private company become a public company? 3.

What are the privileges of a private company? 4. Write notes on : a) One man Company b) Illegal Association c) Associations not for profit 5. What is a Government Company? State its special features. How far is it governed by the Companies' Act 1956? 6. What is a Government Company?

100%

MATCHING BLOCK 643/685

W

What are the provisions of the Companies' Act relating to

foreign companies? 7. What is a Memorandum of Association? State its contents. 8. Set out the restrictions imposed on the choice of a name for a company. How can a company change its name?

115 9. Why is it necessary for a company to have a registered office? Can the registered office of the company be changed? 10. Explain the necessity of setting out clearly the objects in the memorandum. How may the objects clause of a company be altered? 11. What are Articles of Association? List its contents. 12. What is the legal effect of the Articles of a Company between (a) members and the company (b) members inter se. (c) company and outsiders? 13. What are the main points of distinction between Memorandum of Association and Articles of Association of the Company? 14. Discuss the scope of the Doctrine of Indoor Management. To what extent has the Doctrine been incorporated in the Companies' Act 1956? 15. Briefly describe the documents to be filled with the Registrar of Companies prior to incorporation. 16. "A

89%

MATCHING BLOCK 647/685

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certificate of incorporation is the conclusive evidence that all the requirements of the Companies Act have been complied with" -

Explain. 17. From what date is a registered company incorporated? What is the Legal effect of the certificate of incorporation? What are the consequences of incorporation of a company? 18.

76%

MATCHING BLOCK 645/685

W

Who is a promoter? Discuss his legal position in relation to the company,

which he promotes. 19. Can a company ratify the contracts of promoters who acted on behalf of the company before its incorporation? 20. What is a prospectus? What are its contents? Is it obligatory for a company to file

96%**MATCHING BLOCK 646/685****W**

a prospectus or statement in lieu of prospectus with the Registrar of Companies. 21.

Who are liable for mis-statements in a prospectus? Explain the extent of civil and criminal liability for such mis-statements. 22. What are the remedies open to

89%**MATCHING BLOCK 651/685****SA**

3 B.COM _ IV SEM _ 22DCBGL43 Company Law.pdf
(D143464602)

an allottee of shares who had applied for them on the faith of a

false and misleading prospectus and what are the defences available to the directors of the company who have issued such a prospectus? 23. What statutory requirements must a company comply with in order to commence business or exercise its borrowing powers (a) when it has issued a prospectus and (b) when it has not issued a prospectus? 24. Define minimum subscription what are the consequences if a company is not able to raise minimum subscription?

116 25. Write short notes on (a) Preliminary expenses (b) Minimum Subscription (c) Statement in lieu of prospectus. 26.

58%**MATCHING BLOCK 648/685****W**

What restrictions have been imposed by the Companies Act on the allotment of shares? What are the effects of an irregular allotment? 27. What is the legal effect of

an allotment which is irregular either because the

69%**MATCHING BLOCK 649/685****W**

minimum subscription has not been subscribed or because a statement in lieu of prospectus has not been filed

when required? 28. State the kinds of

100%**MATCHING BLOCK 650/685****W**

share capital. How can the share capital of a company be

altered? 29. In what circumstances can a company reduce its share capital? Describe the formalities to be complied with and the procedure to be followed. 30. What are the voting rights of members in a public company limited by shares? Enumerate how allotment of further shares through the increase in subscribed capital of a company take place? 31. Distinguish between a) Stock and Shares b) Share Certificates and Share Warrants. 32. Write short notes on: Lien on shares, calls on shares, surrender of shares, forfeiture of shares. 33. Can a company buy its own shares? If so, under what circumstances? 34. Can a company issue shares at a premium and at a discount? When can a company redeem preference shares? 35. Discuss the law regarding payment of underwriting commission. 36. Who are members of a company? Distinguish between a member and a shareholder. How is membership terminated? 37. How many a person (i) become and (ii) cease to be member of a company. 38. "Every shareholder of a company is also known as a member while every member may not be known as a shareholder." Comment. 39. Distinguish between Transfer and Transmission of shares. 40.

73%**MATCHING BLOCK 652/685****SA**

MBA SEM-I Business Law.pdf (D142212465)

What is a statutory meeting? What is a statutory report and what are its contents? 41. What are the provisions regarding the

holding of an annual general meeting?

What

business is transacted at such

a meeting? 42. Specify the rules which related to the convening and holding of a general meeting of a company on a requisition. 43.

Give in a nutshell the requisites of a valid meeting. 44. What do you understand by quorum? Must a quorum be present throughout a meeting? What is the procedure if a quorum is never formed?

117 45. What is meant by proxy? State the provisions regarding proxies? 46. Set out the difference between a special resolution and a resolution requiring special notice. For what purpose is a special resolution required? 47. What is an Annual Return? What are its

contents? When must it be filed with the Registrar? 48. Discuss, in brief, the provisions relating to (a) Voting by Poll (b) Minutes of the meeting. 49. What is an Annual Return? State the particulars to be filed with Register for company having share capital. 50. Must a

limited company under the companies Act have directors?

100%**MATCHING BLOCK 657/685****SA** MBA-401 Business Law.pdf (D164737585)

What are the qualifications of a director? When is a person disqualified for appointment as a director of

a company? 51. State the provisions of the Companies act regarding the mode of appointment of directors of a company? 52. When is the office of a director of a public company deemed to be vacated? Can the directors of a company be removed during their term of office? 53. Discuss the powers of the Board of Directors under the Companies Act. 54. What are the provisions regarding (a) disclosures in the company's accounts of loans made to its directors (b) payment to a director of compensation for loss of office (c) disclosure by directors of their interest in contracts (d) remuneration of the directors of a public company. 55. How are sole selling agents appointed? When does company need not pay compensation for loss of office of sole selling agent? 56. Is there any limit imposed upon the borrowing powers of the directors of a public company? 57. Describe the provisions of the Companies Act restraining a company from making loans to its directors. 58. How is the managing director of a public limited company appointed? What is the time limit for such appointments? When can a person be disqualified from being appointed a managing director? 59. Write short notes on : (a) Share qualification of directors (b) Register of directors' shareholdings 118 (c) Number of directorships held by an individual (d) Prevention of Management by undesirable persons (e) Office of Profit of Director (f) Register of Contracts (g) Additional Director (h) Alternate Director 60. State

91%**MATCHING BLOCK 653/685****W**

the requirements under the Companies Act with respect to contracts in which directors

of a company have personal interests. What are the remedies available to a company where it is discovered that a director had an interest which he did not disclose? 61. What books of account must a company registered under the Companies Act bound to maintain? 62. Discuss the provisions of the Companies Act relating to the preparation, authentication, circulation, adoption and filing of the annual accounts of a company. 63. Write a note on the rights, powers and duties of an auditor. 64. State the provisions relating to qualifications, appointment of an auditor. 65. "An auditor is a watch dog and not a blood hound". Discuss with reference to an auditor's duties, powers and liabilities. 66. Who appoints (a) the first auditors of a company (b) auditors to fill casual vacancies (c) auditors at each annual general meeting. 67. Specify the provisions with respect to (a) special audit of a company (b) the audit of cost accounts of a company. 68. What remedies are available to debenture holders for realization of their security? 69. What is the nature of

96%**MATCHING BLOCK 654/685****W**

a floating charge? Distinguish it from a fixed charge. When does a floating charge

crystallise? 70. What charges must be registered with the Registrar? State the effect of their non- registration. 71. Explain how investment are made by a company in the same group of companies. 72. How can loans to companies under the same management be made? 73. Distinguish between a Shareholder and Debenture Holder. 74.

74%**MATCHING BLOCK 655/685****W**

How can a company make compromise or arrangement with its members and/or creditors without going into liquidation? 119 75. State the process of the Central Government

to provide for the amalgamation of companies in the public interest? 76. How can the shares of dissenting shareholders be acquired? 77. Explain-the ways and means by which reconstruction of a company is carried out? 78. What are the provisions of the Companies Act 156 for the prevention of oppression of the minority shareholders

85%**MATCHING BLOCK 656/685****W**

and mismanagement of a company? 79. What remedies are available to the minority shareholders of a company against oppression or mismanagement? 80.

What are the powers given to the Central Government for the prevention of the oppression and mismanagement in a company? 81. When can a company be wound up by the Court?

100%**MATCHING BLOCK 659/685****SA** EBSL605 (1).docx (D142458880)

Who are the persons entitled to present a petition for the winding up of a company by the

Court

and what are the circumstances in which each may present the present? 82. What are the consequences of a winding up order? 83. Who are contributories in the winding up of a company? Discuss their right to claim set-off against the company. What is the nature and extent of a contributory's liability? 84. When can a company be voluntarily wound up? What are the consequences of such a winding up? What procedure is followed in case of such winding up? When does it commence? 85. When may the Court order that a

42%

MATCHING BLOCK 658/685

W

winding up shall be subject to the supervision of the Court? 86. What is the importance of the Declaration of Solvency in a voluntary winding up?

By whom is it made and to whom is it submitted? If in a member's voluntary winding up, the liquidator suddenly realizes that the company is not solvent, what should he do? 87. Enumerate the powers and duties of the liquidator. 88. Discuss the powers of the Court on hearing petition. 89. List out the procedure for voluntary winding up. 90. Write short notes on : (a) Preferential Payments (b) Defunct Companies.

120 CONSUMER PROTECTION ACT, 1986 1.

82%

MATCHING BLOCK 660/685

SA

Sambalpur_MBA_SEM_2_Legal Aspects of Business_ ... (D156214893)

The Consumer Protection Act, 1986 seeks to provide better protection of interests of the consumers and for that purpose to make provisions for establishment of consumer councils and other authorities for the settlement of consumers' disputes and for matters connected therewith. 2. It seeks to promote and protect the rights of consumers, such as : (a) The right to be protected against marketing of goods, which are hazardous to life and property. (b) The right to be informed about the quality, quantity, potency, purity, standard and price of goods to protect the consumer against unfair trade practices. (c) The right to be assured, wherever possible, access of variety of goods at competitive prices. (d) The right to be heard and to be assured that consumers' interest will receive due consideration at appropriate forums. (e) The right to seek redressal against unfair trade practices or unscrupulous exploitation of consumers and (f)

The right to consumer education. 3.

74%

MATCHING BLOCK 661/685

SA

Sambalpur_MBA_SEM_2_Legal Aspects of Business_ ... (D156214893)

To provide steady and simple redressal to consumers' disputes, quasi-judicial machinery is sought to be set up at the district, state and central levels.

The

87%

MATCHING BLOCK 662/685

SA

Sambalpur_MBA_SEM_2_Legal Aspects of Business_ ... (D156214893)

quasi-judicial bodies will observe the principles of natural justice and have been empowered to give reliefs of a specific nature and to award whatever appropriate compensation to consumers. Penalties for non-compliance of the orders given by the quasi-judicial bodies have also been provided.

Salient Features of The Consumer Protection

100%

MATCHING BLOCK 663/685

SA

Ravinder Kumar - Legal Aspects Of Business, 4E ... (D142409269)

Act, 1986 The salient features of the Act are as follows : 1. The Act

provides speedy redressal to the consumer complainants. It provides for setting up of a Consumer Redressal Forum in every district, a commission at the state level and the National Commission at the Centre. The Forums in the District have original jurisdiction to redress complaints up to claim of Rs. 10 Lakhs. The State Commissions have original jurisdiction to settle claims up to the amount of Rs. 20 Lakhs. The National Commission can entertain any claim for damages above Rs. 20 Lakhs. The State Commissions are vested with appropriate Appellate and Revisional powers.

121 2. To promote voluntary consumer movements and ensure involvements

83%

MATCHING BLOCK 664/685

SA

Ravinder Kumar - Legal Aspects Of Business, 4E ... (D142409269)

of consumers. The Act provides for the establishment of Consumer Protection Councils

in centre and the States. These councils have both non-official and official members.

73%

MATCHING BLOCK 665/685

SA

Sambalpur_MBA_SEM_2_Legal Aspects of Business_ ... (D156214893)

The objects of the Councils are to promote and protect the rights of the consumers. 3.

It shall apply to all goods and classes of goods or all services or class of services except those, which are specially exempted by notification

78%

MATCHING BLOCK 666/685

SA

MBA-401 Business Law.pdf (D164737585)

by the Central Government. 4. The provisions of the Act shall be in addition to and not in derogation of any other law for the time being in force. 5.

Necessary penal and punitive provisions have been incorporated to ensure that the Act is effective in protecting consumers. 6. The complaint can be filed by a consumer or an organization being a society registered under the Societies Registration Act, or a company registered under the Companies Act, representing consumers or by the Central or State Government. 7. The complaint can be filed on account of any unfair trade practice resulting in loss or damage, defect in the goods, deficiency

60%

MATCHING BLOCK 667/685

SA

Ravinder Kumar - Legal Aspects Of Business, 4E ... (D142409269)

in the services, prices charged in excess of the prices fixed by or under any law or displayed on the goods/

packets. Cyber Laws The word "Cyber" relates to machines. The Concise Oxford Dictionary defines "Cybernetics" as "the science of communications and automatic control systems in both machines and living things". Thus Cyber law is the Jaw relating to communications and automatic control systems. In this sense, cyber law covers : (i) Information Technology Law, which regulates transactions relating to computers and the Internet, (ii) Communication law, which regulates telecommunications and broadcasting, including radio, television, telephone and cable. The Information Technology, Act, 2000 The Information Thchnology Act, 2000 (the Act) was passed by the Indian Parliament in mid May, 2000. The main object

78%

MATCHING BLOCK 668/685

SA

MBA SEM-I Business Law.pdf (D142212465)

of the Act is to provide legal recognition for transactions carried out by means of electric data interchange and other means of electronic communication, commonly referred to as e-commerce,

which involve the

92%

MATCHING BLOCK 669/685

SA

Ravinder Kumar - Legal Aspects Of Business, 4E ... (D142409269)

use of alternatives to paper-based methods of communication and storage of information to facilitate electronic filling of documents with the

Government agencies. Exemptions / Exclusions : Act shall not apply to the following categories of transactions:

122 (a) Any Negotiable Instrument; (b) A Powerof Attorney; (c) The

74%

MATCHING BLOCK 670/685

SA

Ravinder Kumar - Legal Aspects Of Business, 4E ... (D142409269)

Trust; (d) A will including any other testamentary disposition; (e) Any contract for the sale or conveyance of immovable property and (f) Any other documents or transactions as may be decided by the Central Government.

Digital Signature : With the passing of the Act, any

88%

MATCHING BLOCK 671/685

SA

MBA SEM-I Business Law.pdf (D142212465)

subscriber (i.e. a person in whose name the Digital Signature Certificate is issued)

may authenticate electronic record by affixing his Digital Signature.

100%

MATCHING BLOCK 672/685

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4th Semester_Business Regulatory Framework.pdf (D165314949)

Electronic record means data record or data generated image or sound stored, received or sent in an electronic form or micro film or computer generated micro-fiche. Electronic

Governance : Where any law provides submission of information in writing or in the type written or printed forms, it will be sufficient compliance of law, if the same is sent in an electronic form. Further, if any statute provides for affixation of signature in any document, the same can be done by means of Digital Signature. Similarly, the filing of any form, application or any other documents with the Government Authorities and issue or grant of any license, permit, sanction or approval and any receipt acknowledging payment can be done by the Government offices by means of electronic form. Retention of documents, records or information as provided in any law, can be done by maintaining electronic records.

58%

MATCHING BLOCK 673/685

SA

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Any rule, regulation, order, byelaw or notification can be published in the Official Gazette or Electronic Gazette. The

Act, however, provides that no

84%

MATCHING BLOCK 674/685

SA

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Ministry or Department of Central Government or the State Government or any Authority established under any law

can insist upon acceptance of documents only in the form of electronic records. ' Acknowledgement and Despatch of Electronic Records : An electronic record can be sent by the addresser himself

60%

MATCHING BLOCK 675/685

SA

Ravinder Kumar - Legal Aspects Of Business, 4E ... (D142409269)

or by a person acting under his authority. An acknowledgement may be given by any communication by the addressee, automatic or otherwise. Even any conduct of the addressee, automatic or indicate to the addresser that the electronic record has been received

which shall be treated as sufficient acknowledgement.

56%

MATCHING BLOCK 676/685

SA

Ravinder Kumar - Legal Aspects Of Business, 4E ... (D142409269)

The despatch of electronic records occur when it enters a computer resource outside the control of the originator (i.e. addresser).
123 Time of receipt of electronic record shall be determined

when electronic record enters the digital computer resource or the time when the electronic record-is retrieved by

96%

MATCHING BLOCK 677/685

SA

Ravinder Kumar - Legal Aspects Of Business, 4E ... (D142409269)

the addressee. An electronic record is deemed to be despatched at the place where the addresser has his place of business and is deemed to be received at the place where the addressee has his place of business.

Secured Electronic Records and Digital Signature : Under the Act, the Central Government has the power to prescribe the security procedure in relation to electronic records and digital signatures, considering

97%

MATCHING BLOCK 678/685

SA

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the nature of the transaction, the level of sophistication of the Parties with reference to their technological capacity, the volume of transactions

and the procedures, in general, used for similar

63%

MATCHING BLOCK 679/685

SA

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types of transactions or communications. Regulation of Certifying Authorities : The Central Government may appoint a Controller of Certifying

Authority who shall exercise supervision over the activities

80% **MATCHING BLOCK 680/685** **SA** Sambalpur_MBA_SEM_2_Legal Aspects of Business_ ... (D156214893)

of Certifying Authorities. Certifying Authority means a person who has been granted a license to issue a Digital Signature Certificate.

The Controller of Certifying Authority shall have the powers to lay down rules, regulations, duties, responsibilities and functions of Certifying authority issuing Digital Signature Certificates. The Certifying Authority empowered to issue a Digital Signature Certificate shall have to procure a license from the Controller of Certifying Authority to issue Digital Signature Certificate. Detailed rules and regulations have been prescribed in the Act, as to the application for license, suspension of license and procedure for grant or rejection of license by the Controller of

90% **MATCHING BLOCK 681/685** **SA** Ravinder Kumar - Legal Aspects Of Business, 4E ... (D142409269)

Certifying Authority. Digital Signature Certificate : Any person may make an application to the Certifying Authority for issue of Digital Signature Certificate.

The Certifying Authority while issuing such certificate shall

100% **MATCHING BLOCK 682/685** **SA** MBA SEM-I Business Law.pdf (D142212465)

certify that it has complied with the provisions of the Act. The

Certifying Authority has to ensure that the

88% **MATCHING BLOCK 683/685** **SA** MBA SEM-I Business Law.pdf (D142212465)

subscriber (i.e. a person in whose name the Digital Signature Certificate is issued)

100% **MATCHING BLOCK 684/685** **SA** Sambalpur_MBA_SEM_2_Legal Aspects of Business_ ... (D156214893)

holds the private key corresponding to the public key listed in the Digital Signature Certificate and

such public and private keys constitute a functioning key pair.

124 The Certifying Authority has the power to suspend or revoke Digital Signature Certificate. Duties of Subscribers : A subscriber can publish or authorize the publication of Digital Signature Certificate. Similarly, he can accept such certificate. It is the responsibility of a

93% **MATCHING BLOCK 685/685** **SA** Sambalpur_MBA_SEM_2_Legal Aspects of Business_ ... (D156214893)

subscriber to exercise reasonable care to retain control of the private key corresponding to the public key listed in his Digital Signature Certificate and

to take all steps to prevent its disclosure to any unauthorized person. Conclusion : The Act does not cover various other Cyber Crimes. It is reported that the Government will bring in more specific legislation to combat such crimes once intemati on ally (especial ly in the U.S.) specific legislation to this effect are evolved.

Hit and source - focused comparison, Side by Side

Submitted text As student entered the text in the submitted document.
Matching text As the text appears in the source.

1/685	SUBMITTED TEXT	13 WORDS	83% MATCHING TEXT	13 WORDS
	Exceptions to the maxim "No Consideration, No Contract"? 1.4.4 Stranger to a Contract 1.5		exceptions to the rule – 'No consideration, no contract'. 3. "A stranger to a contract	
W	https://www.ddegjust.ac.in/studymaterial/bba/bba-201.pdf			

2/685	SUBMITTED TEXT	19 WORDS	76% MATCHING TEXT	19 WORDS
<p>All rights reserved. No part of this Book may be reproduced in any form without permission in writing from</p> <p>SA MBA SEM-I Business Law.pdf (D142212465)</p>				
3/685	SUBMITTED TEXT	18 WORDS	100% MATCHING TEXT	18 WORDS
<p>Every promise and every set of promises, forming the consideration for each other, is an agreement" [Sec 2(e)].</p> <p>W https://www.ddegjust.ac.in/studymaterial/bba/bba-201.pdf</p>				
4/685	SUBMITTED TEXT	18 WORDS	86% MATCHING TEXT	18 WORDS
<p>Definition of Contract Under Section 2(h) of the Indian Contract Act an agreement enforceable by law is a contract. "</p> <p>SA 4th Semester_Business Regulatory Framework.pdf (D165314949)</p>				
5/685	SUBMITTED TEXT	22 WORDS	95% MATCHING TEXT	22 WORDS
<p>An agreement is enforceable when each of the parties to it gives something and gets something. The something given or obtained is</p> <p>W https://www.ddegjust.ac.in/studymaterial/bba/bba-201.pdf</p>				
6/685	SUBMITTED TEXT	18 WORDS	77% MATCHING TEXT	18 WORDS
<p>The object for which agreement is entered into must not be illegal, immoral or opposed to public policy. 3 (</p> <p>W https://www.ddegjust.ac.in/studymaterial/bba/bba-201.pdf</p>				
7/685	SUBMITTED TEXT	19 WORDS	50% MATCHING TEXT	19 WORDS
<p>in writing in case of sale, lease, gift, mortgage of immovable property, negotiable instruments, Memo/Articles of a company. Registration is</p> <p>W https://pdfcoffee.com/blaw-pdf-free.html</p>				
8/685	SUBMITTED TEXT	17 WORDS	69% MATCHING TEXT	17 WORDS
<p>There must be lawful offer by one party and lawful acceptance of the offer by the other party. (</p> <p>SA 4th Semester_Business Regulatory Framework.pdf (D165314949)</p>				

9/685	SUBMITTED TEXT	56 WORDS	73% MATCHING TEXT	56 WORDS
<p>When one person signifies to another his willingness to do or to abstain from doing anything with a view to obtaining the assent of that other to such act or abstinence, he is said to make a proposal. Sec, 2(a). Offer – A proposal is also called an offer. The promisor or person making the offer is called the</p> <p>SA 004_Business Environment.pdf (D142522848)</p>				
10/685	SUBMITTED TEXT	47 WORDS	88% MATCHING TEXT	47 WORDS
<p>When the person to whom the proposal is made signifies his assent thereto the proposal is said to be accepted. A proposal when accepted becomes a promise. Sec. 2(b). The person making the proposal is called the promisor and the person accepting the proposal is called the promisee. Sec. 2(c). 1.3.1</p> <p>When the person to whom the proposal is made signifies his assent thereto, the proposal is said to be accepted. A proposal, when accepted becomes a promise [s.2(b)]. The person making the proposal is called ' promisor' and the person accepting the proposal is called the 'promisee' [s.2(c)]. 3.</p> <p>W https://ebooks.lpude.in/management/mba/term_2/DMGT407_CORPORATE_AND_BUSINESS_LAWS.pdf</p>				
11/685	SUBMITTED TEXT	11 WORDS	100% MATCHING TEXT	11 WORDS
<p>The person to whom the offer is made is called the</p> <p>SA 004_Business Environment.pdf (D142522848)</p>				
12/685	SUBMITTED TEXT	15 WORDS	100% MATCHING TEXT	15 WORDS
<p>acceptance must be made while the offer is in force i.e. before the offer</p> <p>SA 4th Semester_Business Regulatory Framework.pdf (D165314949)</p>				
13/685	SUBMITTED TEXT	16 WORDS	87% MATCHING TEXT	16 WORDS
<p>the situation; "Acceptance is to Offer" what a lighted match is to a train of gunpowder".</p> <p>the Acceptance is to an offer what a lighted match is to a train of gunpowder".</p> <p>W https://www.bdu.ac.in/cde/SLM/SLM_FULL/MBA/MBA%20III%20Semester/Legal%20Aspects%20of%20Business.P ...</p>				
14/685	SUBMITTED TEXT	38 WORDS	82% MATCHING TEXT	38 WORDS
<p>Communication of acceptance is complete as against the proposer if it is put in course of transmission so as to be out of power of the acceptor and against the acceptor if it comes to knowledge of the proposer. 1.3.3</p> <p>SA 4th Semester_Business Regulatory Framework.pdf (D165314949)</p>				
15/685	SUBMITTED TEXT	11 WORDS	100% MATCHING TEXT	11 WORDS
<p>An offer may be revoked at any time before acceptance</p> <p>SA MBA-401 Business Law.pdf (D164737585)</p>				

16/685	SUBMITTED TEXT	24 WORDS	86% MATCHING TEXT	24 WORDS
<p>When the proposer prescribes the time within which the proposal must be accepted, the proposal lapses as soon as the time expires. (iii) If no</p> <p>SA 4th Semester_Business Regulatory Framework.pdf (D165314949)</p>				
17/685	SUBMITTED TEXT	14 WORDS	88% MATCHING TEXT	14 WORDS
<p>by the failure of the acceptor to fulfil a condition precedent to acceptance</p> <p>By the failure of the acceptor to fulfil a condition precedent to acceptance</p> <p>W https://www.bdu.ac.in/cde/SLM/SLM_FULL/MBA/MBA%20III%20Semester/Legal%20Aspects%20of%20Business.P ...</p>				
18/685	SUBMITTED TEXT	46 WORDS	94% MATCHING TEXT	46 WORDS
<p>as "when at the desire of the promisor, the promisee or any other person has done or abstained from doing or does or abstains from doing or promises to do or to abstain from doing something such act or abstinence or promise is called consideration for the promise." 1.4.1</p> <p>as: "When at the desire of the promisor, the promisee or any other person has done or abstained from doing, or does or abstains from doing, or promises to do or to abstain from doing, something, such act or abstinence or promise is called consideration for the promise".</p> <p>W https://ebooks.lpude.in/management/mba/term_2/DMGT407_CORPORATE_AND_BUSINESS_LAWS.pdf</p>				
19/685	SUBMITTED TEXT	25 WORDS	90% MATCHING TEXT	25 WORDS
<p>An offer lapses by the death, insanity of the proposer, if the fact of his death or insanity comes to the knowledge of acceptor before acceptance. (</p> <p>SA 4th Semester_Business Regulatory Framework.pdf (D165314949)</p>				
20/685	SUBMITTED TEXT	19 WORDS	62% MATCHING TEXT	19 WORDS
<p>B did not ask for his help. A cannot demand payment for the services rendered. (ii) Consideration must be real</p> <p>SA 4th Semester_Business Regulatory Framework.pdf (D165314949)</p>				
21/685	SUBMITTED TEXT	51 WORDS	80% MATCHING TEXT	51 WORDS
<p>Consideration need not be adequate - An agreement to which the consent of the party is freely given is not void even if the consideration is inadequate but the inadequacy of the consideration may be taken into account by the court in determining the question whether the consent of the promisor was freely given.</p> <p>SA 004_Business Environment.pdf (D142522848)</p>				

22/685	SUBMITTED TEXT	11 WORDS	100% MATCHING TEXT	11 WORDS
<p>Consideration must not be illegal, immoral or opposed to public policy-</p> <p>SA 4th Semester_Business Regulatory Framework.pdf (D165314949)</p>				
23/685	SUBMITTED TEXT	15 WORDS	82% MATCHING TEXT	15 WORDS
<p>Consideration may be present, past or future. (vi) Consideration may move from the promisee or</p> <p>SA Ravinder Kumar - Legal Aspects Of Business, 4Ed-Cengage India (2016).pdf (D142409269)</p>				
24/685	SUBMITTED TEXT	14 WORDS	85% MATCHING TEXT	14 WORDS
<p>a stranger- It is immaterial who has furnished it. A stranger to the consideration</p> <p>SA Ravinder Kumar - Legal Aspects Of Business, 4Ed-Cengage India (2016).pdf (D142409269)</p>				
25/685	SUBMITTED TEXT	15 WORDS	66% MATCHING TEXT	15 WORDS
<p>certain exceptions to this rule. (1) An agreement made on account of natural love and affection</p> <p>certain exceptions to this important rule. These are: (i) On account of natural love and affection:</p> <p>W https://cacwacs.files.wordpress.com/2014/08/law-vol-1.pdf</p>				
26/685	SUBMITTED TEXT	26 WORDS	98% MATCHING TEXT	26 WORDS
<p>A promise to compensate wholly or in part a person who has voluntarily done something for the promisor or something which the promisor was legally compellable to do</p> <p>a promise to compensate wholly or in part a person who has already voluntarily done something for the promisor or something which the promisor was legally compellable to do.</p> <p>W https://pdfcoffee.com/blaw-pdf-free.html</p>				
27/685	SUBMITTED TEXT	16 WORDS	83% MATCHING TEXT	16 WORDS
<p>a contract. (3) A promise to pay wholly or in part a debt barred by limitation</p> <p>a valid contract. a promise to pay wholly or in part a debt which is barred by Limitation</p> <p>W https://ebooks.lpude.in/management/mba/term_2/DMGT407_CORPORATE_AND_BUSINESS_LAWS.pdf</p>				
28/685	SUBMITTED TEXT	40 WORDS	65% MATCHING TEXT	40 WORDS
<p>in writing and signed by the debtor or his authorised agent e.g. A owes B Rs. 1,000/- but the debt is barred by limitation. However, A promises in writing to repay Rs. 500/- on account of debt. This is a contract. (4)</p> <p>in writing and signed by the debtor or his agent. A owes B Rs. 1,000, but the debt is barred by the Limitation Act. A signs a written promise to pay B Rs. 500 on account of the debt. This is a contract (</p> <p>W https://www.ddegjust.ac.in/studymaterial/bba/bba-201.pdf</p>				

29/685	SUBMITTED TEXT	13 WORDS	80% MATCHING TEXT	13 WORDS
<p>to his wife directing her to pay an annual allowance to his brother.</p> <p>SA 4th Semester_Business Regulatory Framework.pdf (D165314949)</p>				
30/685	SUBMITTED TEXT	18 WORDS	94% MATCHING TEXT	18 WORDS
<p>an agreement not enforceable by law is said to be void. A void agreement has no legal effect</p> <p>an agreement not enforceable by law is said to be void.— Sec. 2(A void agreement has no legal effect.</p> <p>W https://pdfcoffee.com/blaw-pdf-free.html</p>				
31/685	SUBMITTED TEXT	19 WORDS	66% MATCHING TEXT	19 WORDS
<p>A person who is not a party to a contract cannot sue or be sued upon it. In</p> <p>SA Ravinder Kumar - Legal Aspects Of Business, 4Ed-Cengage India (2016).pdf (D142409269)</p>				
32/685	SUBMITTED TEXT	20 WORDS	59% MATCHING TEXT	20 WORDS
<p>which is legal and enforceable when it was made may subsequently become void due to non-performance, legal changes or other reasons.</p> <p>which was legal and enforceable when it was entered into may subsequently become void due to impossibility of performance, change of law or other reasons.</p> <p>W https://pdfcoffee.com/blaw-pdf-free.html</p>				
33/685	SUBMITTED TEXT	35 WORDS	90% MATCHING TEXT	35 WORDS
<p>is a valid contract. An agreement, which is enforceable by law at the option of one or more of the parties thereto but not at the option of the other or others is a voidable contract</p> <p>is a nullity. 3. contract : An agreement which is enforceable by law at the option of one or more of the parties thereto, but not at the option of other or others is a voidable contract. 4.</p> <p>W https://www.ddegjust.ac.in/studymaterial/bba/bba-201.pdf</p>				
34/685	SUBMITTED TEXT	12 WORDS	95% MATCHING TEXT	12 WORDS
<p>An illegal agreement is one which is against the law in</p> <p>An illegal agreement is one which is against the law enforceable in</p> <p>W https://pdfcoffee.com/blaw-pdf-free.html</p>				
35/685	SUBMITTED TEXT	10 WORDS	95% MATCHING TEXT	10 WORDS
<p>agreements are void ab initio i.e. void from the very beginning.</p> <p>SA EBSL605 (1).docx (D142458880)</p>				

36/685	SUBMITTED TEXT	28 WORDS	81% MATCHING TEXT	28 WORDS
<p>in Restraint of Trade - Exceptions Every agreement by which any person is restricted from exercising a lawful profession, trade or business of any kind is to that extent void.</p> <p>SA Sambalpur_MBA_SEM_2_Legal Aspects of Business_Merged.pdf (D156214893)</p>				
37/685	SUBMITTED TEXT	13 WORDS	88% MATCHING TEXT	13 WORDS
<p>he shall not carry on a business similar to that of the firm he not carry on a business similar to that of the firm</p> <p>W https://ebooks.lpude.in/management/mba/term_2/DMGT407_CORPORATE_AND_BUSINESS_LAWS.pdf</p>				
38/685	SUBMITTED TEXT	22 WORDS	50% MATCHING TEXT	22 WORDS
<p>one who sells the goodwill of his business may be restricted by the buyernot to do similar business within specified local limits.</p> <p>SA Ravinder Kumar - Legal Aspects Of Business, 4Ed-Cengage India (2016).pdf (D142409269)</p>				
39/685	SUBMITTED TEXT	26 WORDS	92% MATCHING TEXT	26 WORDS
<p>Wagering Contracts A wager is an agreement by which money is payable by one person to another on the happening or non happening of future uncertain event.</p> <p>SA Sambalpur_MBA_SEM_2_Legal Aspects of Business_Merged.pdf (D156214893)</p>				
40/685	SUBMITTED TEXT	19 WORDS	84% MATCHING TEXT	19 WORDS
<p>Two or more parties are said to consent if they agree upon the same thing in the same sense</p> <p>SA 004_Business Environment.pdf (D142522848)</p>				
41/685	SUBMITTED TEXT	15 WORDS	70% MATCHING TEXT	15 WORDS
<p>be free if it has been caused by coercion, fraud, misrepresentation, undue influence and mistake. 1.9</p> <p>SA MBA SEM-I Business Law.pdf (D142212465)</p>				
42/685	SUBMITTED TEXT	11 WORDS	100% MATCHING TEXT	11 WORDS
<p>to cause the other party to enter into an agreement. · to cause the other party to enter into an agreement. (</p> <p>W https://ebooks.lpude.in/management/mba/term_2/DMGT407_CORPORATE_AND_BUSINESS_LAWS.pdf</p>				

43/685	SUBMITTED TEXT	25 WORDS	81% MATCHING TEXT	25 WORDS
<p>committing or threatening to commit an act forbidden by Indian 10 Penal Code (ii) unlawful detention or threatening to detain any property. Such an act</p> <p>SA MBA SEM-I Business Law.pdf (D142212465)</p>				
44/685	SUBMITTED TEXT	12 WORDS	100% MATCHING TEXT	12 WORDS
<p>by undue influence is voidable at the option of the party by undue influence is voidable at the option of the party</p> <p>W https://ebooks.lpude.in/management/mba/term_2/DMGT407_CORPORATE_AND_BUSINESS_LAWS.pdf</p>				
45/685	SUBMITTED TEXT	29 WORDS	74% MATCHING TEXT	29 WORDS
<p>One of the patties is in a position to dominate the will of the other. (2) He uses his position so as to obtain unfair advantage over the other. A</p> <p>SA 4th Semester_Business Regulatory Framework.pdf (D165314949)</p>				
46/685	SUBMITTED TEXT	14 WORDS	83% MATCHING TEXT	14 WORDS
<p>makes a contract with a person whose mental capacity is affected by age or illness.</p> <p>SA 346E1250_Legal Environment of Business.pdf (D165203702)</p>				
47/685	SUBMITTED TEXT	19 WORDS	65% MATCHING TEXT	19 WORDS
<p>committing or threatening to commit an offence punishable under Indian Penal Code or unlawful detention or threatening to detain any property.</p> <p>SA Business Legislation Notes (Indian-Legal-System).docx (D159771781)</p>				
48/685	SUBMITTED TEXT	15 WORDS	85% MATCHING TEXT	15 WORDS
<p>but the inaccuracy is not due to any desire to defraud the other party but the falsity or inaccuracy is not due to any desire to deceive or defraud the other party.</p> <p>W https://ebooks.lpude.in/management/mba/term_2/DMGT407_CORPORATE_AND_BUSINESS_LAWS.pdf</p>				
49/685	SUBMITTED TEXT	16 WORDS	73% MATCHING TEXT	16 WORDS
<p>the aggrieved party had the means to discover the truth with ordinary diligence, the contract cannot be the affected party had the means of discovering the truth with ordinary diligence, the contract cannot be</p> <p>W https://www.bdu.ac.in/cde/SLM/SLM_FULL/MBA/MBA%20III%20Semester/Legal%20Aspects%20of%20Business.P ...</p>				

50/685	SUBMITTED TEXT	34 WORDS	98% MATCHING TEXT	34 WORDS
<p>The suggestion as a fact that which is not true by one who' does not believe it to be true. (2) The active concealment of a fact by one having knowledge or belief of the fact.</p> <p>SA EBSL605 (1).docx (D142458880)</p>				
51/685	SUBMITTED TEXT	15 WORDS	87% MATCHING TEXT	15 WORDS
<p>are of two types: (1) Mistake of law & (2) Mistake of fact. Furthermore, mistake</p> <p>SA Ravinder Kumar - Legal Aspects Of Business, 4Ed-Cengage India (2016).pdf (D142409269)</p>				
52/685	SUBMITTED TEXT	27 WORDS	89% MATCHING TEXT	27 WORDS
<p>A and B make a contract based on the erroneous belief that a particular debt is barred by the Indian law of limitation, the contract is not voidable.</p> <p>SA Ravinder Kumar - Legal Aspects Of Business, 4Ed-Cengage India (2016).pdf (D142409269)</p>				
53/685	SUBMITTED TEXT	34 WORDS	62% MATCHING TEXT	34 WORDS
<p>An erroneous opinion with regard to the value of a thing forming the subject matter of the agreement shall not be deemed to be a mistake as to matter of fact e.g. X buys</p> <p>an erroneous opinion to the value of the thing which forms the subject matter of the agreement is not deemed to be a mistake as to a matter of fact. Example : X buys</p> <p>W https://pdfcoffee.com/blaw-pdf-free.html</p>				
54/685	SUBMITTED TEXT	27 WORDS	100% MATCHING TEXT	27 WORDS
<p>A contract is not voidable merely because it was caused by one of the parties to it being under a mistake as to a matter of fact</p> <p>A contract is NOT voidable merely because it was caused by one of the parties to it being under a mistake as to a matter of fact. 39</p> <p>W https://www.bdu.ac.in/cde/SLM/SLM_FULL/MBA/MBA%20III%20Semester/Legal%20Aspects%20of%20Business.P...</p>				
55/685	SUBMITTED TEXT	31 WORDS	79% MATCHING TEXT	31 WORDS
<p>the agreement. e.g. A agrees to buy from B a certain horse which was dead at the time of the bargain though neither party was aware of the fact. The agreement is void.</p> <p>SA Ravinder Kumar - Legal Aspects Of Business, 4Ed-Cengage India (2016).pdf (D142409269)</p>				
56/685	SUBMITTED TEXT	28 WORDS	41% MATCHING TEXT	28 WORDS
<p>to the subject matter of the contract or the nature of the transaction - if the contract is very much different from the contract the parties intended to make,</p> <p>to the fundamental subject-matter of the contract there is 'operative mistake'. This means that the contract actually is essentially different from the contract the parties intend to make. (</p> <p>W https://www.ddegjust.ac.in/studymaterial/bba/bba-201.pdf</p>				

57/685	SUBMITTED TEXT	16 WORDS	66% MATCHING TEXT	16 WORDS
A agrees to pay a sum of money to B when he marries C. C		A agrees to pay B a sum of money if B marries C. C		
W	https://www.bdu.ac.in/cde/SLM/SLM_FULL/MBA/MBA%20III%20Semester/Legal%20Aspects%20of%20Business.P ...			
58/685	SUBMITTED TEXT	11 WORDS	100% MATCHING TEXT	11 WORDS
Mistake as to the identity of the person contracted with				
SA	EBSL605 (1).docx (D142458880)			
59/685	SUBMITTED TEXT	22 WORDS	59% MATCHING TEXT	22 WORDS
agrees to pay a sum of money to B if his ship does not return. The contract is enforceable if the ship		agrees to pay 'Q' a sum of money if particular ship does not return, the contract becomes only if the ship		
W	https://cacwacs.files.wordpress.com/2014/08/law-vol-1.pdf			
60/685	SUBMITTED TEXT	26 WORDS	48% MATCHING TEXT	26 WORDS
to pay a sum of money to B if his ship returns within a year. The contract becomes void if the ship sinks within the year. (2)				
SA	MBA-401 Business Law.pdf (D164737585)			
61/685	SUBMITTED TEXT	24 WORDS	50% MATCHING TEXT	24 WORDS
event wi 11 not happen (Sec. 35) E.g: A agrees to pay a sum of money toB if his ship does not return within				
SA	MBA-401 Business Law.pdf (D164737585)			
62/685	SUBMITTED TEXT	40 WORDS	84% MATCHING TEXT	40 WORDS
When a patty to a contract has refused to perform, or disabled himself from performing, his promise in its entirety, the promise may put an end to the contract, unless he has signified by word or conduct, his acquiescence in its continuance.		When a party to a contract has refused to perform or disabled himself from performing his promise in its entirety the other may put an end to the contract unless he has signified, by words or conduct, his acquiescence in its continuance 2.		
W	https://www.bdu.ac.in/cde/SLM/SLM_FULL/MBA/MBA%20III%20Semester/Legal%20Aspects%20of%20Business.P ...			
63/685	SUBMITTED TEXT	22 WORDS	50% MATCHING TEXT	22 WORDS
a year. The contract is enforceable if the ship does not return within the year or if the ship is wrecked within the year.				
SA	MBA-401 Business Law.pdf (D164737585)			

64/685	SUBMITTED TEXT	54 WORDS	78% MATCHING TEXT	54 WORDS
<p>if the parties to the contract, substitute a new contract for it or rescind or alter it, the original contract need not be performed. 2) Every promise may dispense with or remit wholly or in part; the performance of the promise made to him or may accept instead of it any satisfaction, which he thinks fit. 15 3)</p>		<p>If the parties to a contract agree to substitute a new contract for it or to rescind or alter it, the original contract need not be performed." Every promisee may dispense with or remit, wholly or in part, the performance of the promisee made to him, or may extend the time for such performance, or may instead of it any satisfaction which he thinks fit."</p>		
<p>W https://www.ddegjust.ac.in/studymaterial/bba/bba-201.pdf</p>				
65/685	SUBMITTED TEXT	27 WORDS	100% MATCHING TEXT	27 WORDS
<p>When a person at whose option a contract is voidable rescinds it, the other party thereto need not perform any promise therein contained in which he is</p>		<p>when a person at whose option a contract is voidable rescinds it, the other party thereto need not perform any promise therein contained in which he is</p>		
<p>W https://pdfcoffee.com/blaw-pdf-free.html</p>				
66/685	SUBMITTED TEXT	21 WORDS	77% MATCHING TEXT	21 WORDS
<p>has received any benefit thereunder from another party to such contract, restore such benefit, to the person from whom it was received. (4)</p>		<p>has received any benefit from another party to such contract, he restore such benefit, so far as may be, to the person from whom it was received. 14</p>		
<p>W https://www.ddegjust.ac.in/studymaterial/bba/bba-201.pdf</p>				
67/685	SUBMITTED TEXT	28 WORDS	92% MATCHING TEXT	28 WORDS
<p>with B, the manager of a theatre to sing at his theatre two nights in every week during the next two months and B engages to pay her</p>				
<p>SA MBA-401 Business Law.pdf (D164737585)</p>				
68/685	SUBMITTED TEXT	21 WORDS	56% MATCHING TEXT	21 WORDS
<p>the Essence of the Contract In contracts where time is the essence of the contract, if there is failure to perform within</p>		<p>the essence of the contract or not. In all mercantile contracts time is the essence of the contract and breach of results on failure to perform within</p>		
<p>W https://www.ddegjust.ac.in/studymaterial/bba/bba-201.pdf</p>				
69/685	SUBMITTED TEXT	20 WORDS	70% MATCHING TEXT	20 WORDS
<p>time, the contract or so much of it as remains unperformed become voidable at the option of the promisee. The</p>		<p>time, the contract, or so much of it as has not been performed becomes voidable at the option of the promisee, if the</p>		
<p>W https://pdfcoffee.com/blaw-pdf-free.html</p>				

70/685	SUBMITTED TEXT	38 WORDS	37% MATCHING TEXT	38 WORDS
<p>where time does not form the essence of the contract, failure to perform within the fixed time does not make the contract voidable, but the promisee is entitled to get compensation for any loss caused to him by such failure. 1.15</p>		<p>Where time is not of the essence of the contract and the promisor fails to perform it within the specified time, the promisee is not entitled to avoid the contract. But he would be entitled to compensation from the promisor for any loss occasioned to him by such failure.</p>		
<p>W https://pdfcoffee.com/blaw-pdf-free.html</p>				
71/685	SUBMITTED TEXT	18 WORDS	61% MATCHING TEXT	18 WORDS
<p>promisee neglected or refuses to afford the promisor reasonable facilities for the performance of his promise, the promisor is excused</p>				
<p>SA 4th Semester_Business Regulatory Framework.pdf (D165314949)</p>				
72/685	SUBMITTED TEXT	19 WORDS	68% MATCHING TEXT	19 WORDS
<p>be terminated A contract may be terminated in the following ways: 1) By Performance of the Promise 2) By operation of</p>				
<p>SA MBA SEM-I Business Law.pdf (D142212465)</p>				
73/685	SUBMITTED TEXT	17 WORDS	64% MATCHING TEXT	17 WORDS
<p>or more of the terms of the agreement), Remission (acceptance of less than what was contracted for),</p>				
<p>SA Ravinder Kumar - Legal Aspects Of Business, 4Ed-Cengage India (2016).pdf (D142409269)</p>				
74/685	SUBMITTED TEXT	11 WORDS	95% MATCHING TEXT	11 WORDS
<p>Rescission (cancellation of all or some of the terms of the</p>				
<p>SA Ravinder Kumar - Legal Aspects Of Business, 4Ed-Cengage India (2016).pdf (D142409269)</p>				
75/685	SUBMITTED TEXT	21 WORDS	59% MATCHING TEXT	21 WORDS
<p>a party repudiates his liability under the contract before the time of performance or when he disables himself from performing the contract.</p>		<p>a party to the contract repudiates his liability under the contract even before the time for performance is due or when a party by his own act disables himself from performing the contract.</p>		
<p>W https://pdfcoffee.com/blaw-pdf-free.html</p>				
76/685	SUBMITTED TEXT	34 WORDS	88% MATCHING TEXT	34 WORDS
<p>anticipatory breach of contract occurs when a party repudiates his liability under the contract before the time for performance is due or when a party by his own act disables himself from performing the contract</p>		<p>Anticipatory breach of contract takes place when a party to the contract repudiates his liability under the contract even before the time for performance is due or when a party by his own act disables himself from performing the contract.</p>		
<p>W https://pdfcoffee.com/blaw-pdf-free.html</p>				

77/685	SUBMITTED TEXT	15 WORDS	84% MATCHING TEXT	15 WORDS
<p>the contract legally, the aggrieved party loses his right to sue for damages. 1.15.2</p> <p>W https://pdfcoffee.com/blaw-pdf-free.html</p>		<p>the contract legally, the aggrieved party shall lose his right to sue for damages.</p>		
78/685	SUBMITTED TEXT	11 WORDS	95% MATCHING TEXT	11 WORDS
<p>actual breach when one party fails or refuses to perform his</p> <p>SA Business Law Block-1.pdf (D164991125)</p>				
79/685	SUBMITTED TEXT	12 WORDS	100% MATCHING TEXT	12 WORDS
<p>the amount of damages to be paid in case of breach,</p> <p>W https://pdfcoffee.com/blaw-pdf-free.html</p>		<p>the amount of damages to be paid in case of breach</p>		
80/685	SUBMITTED TEXT	19 WORDS	77% MATCHING TEXT	19 WORDS
<p>in the position in which he would have been if the contract had been performed. 5) The aggrieved party</p> <p>SA 4th Semester_Business Regulatory Framework.pdf (D165314949)</p>				
81/685	SUBMITTED TEXT	27 WORDS	48% MATCHING TEXT	27 WORDS
<p>Quantum Meruit may arise : a) When the contract is discovered to be void (Sec. 65). The person who has done something under the contract is entitled to</p> <p>W https://cacwacs.files.wordpress.com/2014/08/law-vol-1.pdf</p>		<p>quantum meruit' may arise: (a) Where the work has been done and accepted under a contract which is subsequently discovered to be void. In such a case, the person who has performed his part of the contract is entitled to</p>		
82/685	SUBMITTED TEXT	10 WORDS	100% MATCHING TEXT	10 WORDS
<p>or goods are supplied by a person without any intention</p> <p>W https://pdfcoffee.com/blaw-pdf-free.html</p>		<p>or goods are supplied by a person, (i) without any intention</p>		
83/685	SUBMITTED TEXT	16 WORDS	71% MATCHING TEXT	16 WORDS
<p>a person incapable of contracting or to any one whom he is legally bound to support,</p> <p>W https://pdfcoffee.com/blaw-pdf-free.html</p>		<p>a person incapable of entering into contract or any one whom he is legally bound to support,</p>		

84/685	SUBMITTED TEXT	42 WORDS	95% MATCHING TEXT	42 WORDS
<p>is entitled to be reimbursed from the property of such incapable person. 2) A person who is interested in the payment of money which another is bound by law to pay and who therefore pays it is entitled to be reimbursed by the other. 18</p>		<p>is entitled to be reimbursed from the property of such person. A person who is interested in the payment of money which another is bound by law to pay and who therefore pays it, is entitled to be reimbursed by the other.</p>		
<p>W https://www.bdu.ac.in/cde/SLM/SLM_FULL/MBA/MBA%20III%20Semester/Legal%20Aspects%20of%20Business.P ...</p>				
85/685	SUBMITTED TEXT	25 WORDS	52% MATCHING TEXT	25 WORDS
<p>When a person does some work under a contract and the other party repudiates the contracts or makes the performance of the contract impossible then the</p>				
<p>SA Ravinder Kumar - Legal Aspects Of Business, 4Ed-Cengage India (2016).pdf (D142409269)</p>				
86/685	SUBMITTED TEXT	20 WORDS	77% MATCHING TEXT	20 WORDS
<p>All agreements are not contracts, but all contracts are agreements." Ellucidate the statement explaining essential elements of a valid contract. 3.</p>				
<p>SA EBSL605 (1).docx (D142458880)</p>				
87/685	SUBMITTED TEXT	14 WORDS	88% MATCHING TEXT	14 WORDS
<p>Acceptance must be absolute and must correspond with the terms of the offer. 7.</p>		<p>acceptance must be absolute and unqualified. It must correspond with all the terms of the offer.</p>		
<p>W https://www.bdu.ac.in/cde/SLM/SLM_FULL/MBA/MBA%20III%20Semester/Legal%20Aspects%20of%20Business.P ...</p>				
88/685	SUBMITTED TEXT	11 WORDS	100% MATCHING TEXT	11 WORDS
<p>exceptions to the rule? 10. "A stranger to a contract cannot sue</p>		<p>exceptions to the rule "A stranger to a contract cannot sue"</p>		
<p>W https://www.bdu.ac.in/cde/SLM/SLM_FULL/MBA/MBA%20III%20Semester/Legal%20Aspects%20of%20Business.P ...</p>				
89/685	SUBMITTED TEXT	11 WORDS	100% MATCHING TEXT	11 WORDS
<p>A mere mental acceptance not evidenced by words or conduct</p>				
<p>SA Ravinder Kumar - Legal Aspects Of Business, 4Ed-Cengage India (2016).pdf (D142409269)</p>				
90/685	SUBMITTED TEXT	16 WORDS	90% MATCHING TEXT	16 WORDS
<p>by performance of a contract? Under what circumstances a contract need not be performed? 21. Explain the</p>		<p>by performance of a contract. Under what circumstances a contract need not be performed? 2. Define the</p>		
<p>W https://pdfcoffee.com/blaw-pdf-free.html</p>				

91/685	SUBMITTED TEXT	29 WORDS	74% MATCHING TEXT	29 WORDS
<p>agrees to buy from Y a certain dog. It turned out that the dog was dead at the time of the deal though neither party was aware of the</p> <p>SA Ravinder Kumar - Legal Aspects Of Business, 4Ed-Cengage India (2016).pdf (D142409269)</p>				
92/685	SUBMITTED TEXT	13 WORDS	83% MATCHING TEXT	13 WORDS
<p>of an Unpaid Seller of Goods 2.10 Stoppage in Transit 2.11 Right of Resale 2.12</p> <p>of an Unpaid Seller 5.7.3 Right of Stoppage in Transit 5.7.4 Right of Resale (</p> <p>W https://ebooks.lpude.in/management/mba/term_2/DMGT407_CORPORATE_AND_BUSINESS_LAWS.pdf</p>				
93/685	SUBMITTED TEXT	34 WORDS	51% MATCHING TEXT	34 WORDS
<p>Goods may be classified into three types: Existing Goods, Future Goods and Contingent Goods. Existing Goods : Existing goods are goods which are already in existence and which are physically present in some person's possession and</p> <p>Goods may be classified into the following types : (1) Existing goods ; (2) Future goods ; and (3) Contingent goods. 1. Existing goods : 14 : Goods which are physically in existence and which are in seller's ownership and/</p> <p>W https://pdfcoffee.com/blaw-pdf-free.html</p>				
94/685	SUBMITTED TEXT	21 WORDS	58% MATCHING TEXT	21 WORDS
<p>The Sale of Goods Act, 1930 Structure 2.1 Meaning of Goods 2.2 Sale and Agreement to Sell - Distinction 2.3 Condition and Warranty -</p> <p>SA 4th Semester_Business Regulatory Framework.pdf (D165314949)</p>				
95/685	SUBMITTED TEXT	23 WORDS	80% MATCHING TEXT	23 WORDS
<p>it is a sale of unascertained goods because it is not known which bag will be delivered. As soon as a bag is separated</p> <p>it is a sale of unascertained goods because it is not known which bag is to be delivered. As soon as a particular bag is separated</p> <p>W https://pdfcoffee.com/blaw-pdf-free.html</p>				
96/685	SUBMITTED TEXT	15 WORDS	86% MATCHING TEXT	15 WORDS
<p>identified and agreed upon at the time of contract of sale etc. ascertained Goods are</p> <p>SA Business Legislation Notes (Indian-Legal-System).docx (D159771781)</p>				
97/685	SUBMITTED TEXT	26 WORDS	88% MATCHING TEXT	26 WORDS
<p>be manufactured or produced or acquired by the seller after the making of the contract of sale. Se 2(6). Example: A agrees to sell to Ball the</p> <p>SA 004_Business Environment.pdf (D142522848)</p>				

98/685	SUBMITTED TEXT	20 WORDS	67% MATCHING TEXT	20 WORDS
<p>to sell to N a certain ring provided he is able to purchase it from its current owner. This is</p> <p>W https://pdfcoffee.com/blaw-pdf-free.html</p>		<p>to sell to B a specific rare painting provided he is able to purchase it from its present owner. This is</p>		
99/685	SUBMITTED TEXT	30 WORDS	87% MATCHING TEXT	30 WORDS
<p>Contingent Goods : There may be a contract for the sale of goods, the acquisition of which by the seller depends upon a contingency, which may or may not happen.</p> <p>SA Business Legislation Notes (Indian-Legal-System).docx (D159771781)</p>				
100/685	SUBMITTED TEXT	57 WORDS	52% MATCHING TEXT	57 WORDS
<p>Sale and Agreement to Sell - Distinction When the property in the goods is transferred from the seller to the buyer, the transaction is one of sale. If the transfer in the property of the goods is to take place at a future date or subject to the fulfilment to certain conditions, the transaction is of an agreement to sell.</p> <p>SA EBSL605 - ALL - Check 1.doc (D142406456)</p>				
101/685	SUBMITTED TEXT	16 WORDS	68% MATCHING TEXT	16 WORDS
<p>an agreement to sell becomes a sale on the fulfilment of the conditions or when the</p> <p>SA Ravinder Kumar - Legal Aspects Of Business, 4Ed-Cengage India (2016).pdf (D142409269)</p>				
102/685	SUBMITTED TEXT	17 WORDS	82% MATCHING TEXT	17 WORDS
<p>A sale is an executed contract while an agreement to sell is executory. 3. Risk of Loss: In</p> <p>W https://www.ddegjust.ac.in/studymaterial/bba/bba-201.pdf</p>		<p>a sale is an executed contract and an agreement to sell is executory contract. (Risk of Loss In</p>		
103/685	SUBMITTED TEXT	21 WORDS	64% MATCHING TEXT	21 WORDS
<p>right to the buyer to enjoy the goods as against the world at large including the seller. An agreement to sell</p> <p>SA Ravinder Kumar - Legal Aspects Of Business, 4Ed-Cengage India (2016).pdf (D142409269)</p>				
104/685	SUBMITTED TEXT	15 WORDS	76% MATCHING TEXT	15 WORDS
<p>an agreement to sell, if the goods are destroyed the risk falls on the seller</p> <p>SA Ravinder Kumar - Legal Aspects Of Business, 4Ed-Cengage India (2016).pdf (D142409269)</p>				

105/685	SUBMITTED TEXT	13 WORDS	87% MATCHING TEXT	13 WORDS
<p>if the buyer fails to pay the price the seller can sue</p> <p>SA 4th Semester_Business Regulatory Framework.pdf (D165314949)</p>				
106/685	SUBMITTED TEXT	18 WORDS	58% MATCHING TEXT	18 WORDS
<p>Warranty - Distinction A stipulation in a contract of sale of goods may be a condition or a Warranty.</p> <p>warranty. Whether a stipulation in a contract of sale is a condition or a warranty</p> <p>W https://ebooks.lpude.in/management/mba/term_2/DMGT407_CORPORATE_AND_BUSINESS_LAWS.pdf</p>				
107/685	SUBMITTED TEXT	26 WORDS	51% MATCHING TEXT	26 WORDS
<p>a breach, the buyer has a personal remedy i.e. a claim for damages. In sale, if the seller commits a breach, the buyer has a personal remedy</p> <p>SA Business Legislation Notes (Indian-Legal-System).docx (D159771781)</p>				
108/685	SUBMITTED TEXT	24 WORDS	68% MATCHING TEXT	24 WORDS
<p>stipulation in a contract of a sale of goods is a condition or a warranty depends in each case upon the intention of the</p> <p>stipulation in a contract of sale is a condition or a warranty depends in each case on the construction of the</p> <p>W https://www.ddegjust.ac.in/studymaterial/bba/bba-201.pdf</p>				
109/685	SUBMITTED TEXT	69 WORDS	73% MATCHING TEXT	69 WORDS
<p>A condition is a stipulation essential to the main purpose of the contract, the breach of which gives the aggrieved party a right to treat the contract as repudiated. A Warranty, on the other hand, is a stipulation collateral to the main purpose of the contract, the breach of which gives the aggrieved party a right to claim for damages and not a right to reject the goods and treat the contract as repudiated. Whether the</p> <p>SA Ravinder Kumar - Legal Aspects Of Business, 4Ed-Cengage India (2016).pdf (D142409269)</p>				
110/685	SUBMITTED TEXT	21 WORDS	83% MATCHING TEXT	21 WORDS
<p>the construction of the contract. A stipulation may be a condition though it is called a warranty in the contract of</p> <p>SA Sambalpur_MBA_SEM_2_Legal Aspects of Business_Merged.pdf (D156214893)</p>				
111/685	SUBMITTED TEXT	28 WORDS	82% MATCHING TEXT	28 WORDS
<p>contract of sale is not severable and the buyer has accepted the goods or any part thereof, the breach of condition must be treated as a breach of warranty.</p> <p>SA Ravinder Kumar - Legal Aspects Of Business, 4Ed-Cengage India (2016).pdf (D142409269)</p>				

112/685	SUBMITTED TEXT	58 WORDS	76% MATCHING TEXT	58 WORDS
<p>in a Contract of Sale 1) Conditions as to Title : There is an implied condition on the part of the seller that : i) In case of sale, he has a right to sell the goods. ii) In case of an agreement to sell, he has a right to sell the goods at the time when the property is to pass. 2)</p> <p>SA EBSL605 (1).docx (D142458880)</p>				
113/685	SUBMITTED TEXT	25 WORDS	94% MATCHING TEXT	25 WORDS
<p>there is a contract for the sale of goods by description there is an implied condition that the goods shall correspond with the description. When the</p> <p>SA Ravinder Kumar - Legal Aspects Of Business, 4Ed-Cengage India (2016).pdf (D142409269)</p>				
114/685	SUBMITTED TEXT	18 WORDS	63% MATCHING TEXT	18 WORDS
<p>goods are sold by sample as well as by description the goods shall correspond both with the sample</p> <p>SA EBSL605 (1).docx (D142458880)</p>				
115/685	SUBMITTED TEXT	42 WORDS	84% MATCHING TEXT	42 WORDS
<p>The bulk shall correspond with the sample. 24 ii) The buyer shall have reasonable opportunity of comparing the bulk with the sample. iii) The goods shall be free from any defect rendering them unmerchantable, which would not be apparent on reasonable elimination of the sample. 4)</p> <p>the bulk shall correspond with the sample in That the buyer' shall have a reasonable opportunity of comparing the bulk with the sample in That the goods shall be free from any defect, rendering them unmerchantable which would not be apparent on reasonable examination of the sample.</p> <p>W https://www.bdu.ac.in/cde/SLM/SLM_FULL/MBA/MBA%20III%20Semester/Legal%20Aspects%20of%20Business.P ...</p>				
116/685	SUBMITTED TEXT	15 WORDS	90% MATCHING TEXT	15 WORDS
<p>When the goods are sold by description, there is an implied condition that the goods</p> <p>when the goods are bought by description there is an implied condition that the goods</p> <p>W https://www.ddegjust.ac.in/studymaterial/bba/bba-201.pdf</p>				
117/685	SUBMITTED TEXT	19 WORDS	83% MATCHING TEXT	19 WORDS
<p>Implied Warranties in a Contract of Sale 1) The buyer shall have and enjoy quiet possession of the goods. 2)</p> <p>implied in a contract of sale goods that buyer shall have and enjoy quiet possession of the goods.</p> <p>W https://www.ddegjust.ac.in/studymaterial/bba/bba-201.pdf</p>				
118/685	SUBMITTED TEXT	11 WORDS	100% MATCHING TEXT	11 WORDS
<p>there is a contract for the sale of goods by</p> <p>SA Ravinder Kumar - Legal Aspects Of Business, 4Ed-Cengage India (2016).pdf (D142409269)</p>				

119/685	SUBMITTED TEXT	33 WORDS	79% MATCHING TEXT	33 WORDS
<p>implied warranty that the goods shall be free from any charge or encumbrance in favour of the third party not known to the buyer before or at the time when the contract is made. 3)</p> <p>SA EBSL605.docx (D142396386)</p>				
120/685	SUBMITTED TEXT	13 WORDS	91% MATCHING TEXT	13 WORDS
<p>implied warranty as to fitness for a particular purpose may be annexed</p> <p>SA EBSL605.docx (D142396386)</p>				
121/685	SUBMITTED TEXT	28 WORDS	92% MATCHING TEXT	28 WORDS
<p>Sale by Description : When there is a contract for the sale of goods by description there is an implied condition that the goods shall correspond with the description.</p> <p>Sale by description s.15: Where there is a contract for the sale of goods by description there is an implied condition that the goods correspond with the description.</p> <p>W https://ebooks.lpude.in/management/mba/term_2/DMGT407_CORPORATE_AND_BUSINESS_LAWS.pdf</p>				
122/685	SUBMITTED TEXT	50 WORDS	85% MATCHING TEXT	50 WORDS
<p>There is an implied condition on the part of the seller that : i) In case of sale, he has a right to sel l the goods. ii) In case of an agreement to sell, he has a right to sell the goods at the time when the property is to pass. 2)</p> <p>SA EBSL605 (1).docx (D142458880)</p>				
123/685	SUBMITTED TEXT	18 WORDS	63% MATCHING TEXT	18 WORDS
<p>goods are sold by sample as well as by description the goods shall correspond both with the sample</p> <p>SA EBSL605 (1).docx (D142458880)</p>				
124/685	SUBMITTED TEXT	56 WORDS	69% MATCHING TEXT	56 WORDS
<p>a contract for the sale of goods by sample., the following conditions are implied : 25 i) The bulk shall correspond with the sample. ii) The buyer shall have reasonable opportunity of comparing the bulk with the sample. iii) The goods shall be free from any defect rendering them unmerchantable, which would not be apparent on reasonable examination of the sample. 4)</p> <p>SA EBSL605.docx (D142396386)</p>				

125/685	SUBMITTED TEXT	45 WORDS	36% MATCHING TEXT	45 WORDS
<p>Passing of Property In case of sale of goods, property in the goods passes as and when it is intended by the parties concerned. The intention may be gathered from the conduct of the parties, the terms of the contract and the surrounding circumstances of the case.</p> <p>SA Business Legislation Notes (Indian-Legal-System).docx (D159771781)</p>				
126/685	SUBMITTED TEXT	34 WORDS	65% MATCHING TEXT	34 WORDS
<p>the following rules are applicable. Specific Goods : 1) When there is an unconditional contract for the sale of specific goods in a deliverable state the property passes to the buyer as soon as the contract is made.</p> <p>SA Ravinder Kumar - Legal Aspects Of Business, 4Ed-Cengage India (2016).pdf (D142409269)</p>				
127/685	SUBMITTED TEXT	20 WORDS	73% MATCHING TEXT	20 WORDS
<p>the contract was made. 2) When there is a contract for the sale of goods not in deliverable state the</p> <p>SA Business Legislation Notes (Indian-Legal-System).docx (D159771781)</p>				
128/685	SUBMITTED TEXT	11 WORDS	100% MATCHING TEXT	11 WORDS
<p>the property does not pass until the seller does the</p> <p>SA Business Legislation Notes (Indian-Legal-System).docx (D159771781)</p>				
129/685	SUBMITTED TEXT	39 WORDS	94% MATCHING TEXT	39 WORDS
<p>goods are sold by a person who is not the owner or who does not sell them under the authority or with the consent of the owner the buyer acquires no better title to the goods than the seller had.</p> <p>goods are sold by a person who is not the owner thereof and who does not sell them under the authority or with the consent of the owner, the buyer acquires no better title to the goods than the seller had.</p> <p>W https://www.ddegjust.ac.in/studymaterial/bba/bba-201.pdf</p>				
130/685	SUBMITTED TEXT	45 WORDS	25% MATCHING TEXT	45 WORDS
<p>sale of unascertained goods by description if the goods are unconditionally appropriated to the contract property passes to the buyer. 2) In according to the contract the goods are delivered to the buyer without the reservation of the right of disposal the property passes to the buyer. 2.8</p> <p>SA Business Legislation Notes (Indian-Legal-System).docx (D159771781)</p>				

131/685	SUBMITTED TEXT	23 WORDS	70% MATCHING TEXT	23 WORDS
<p>mercantile Agent : When a mercantile agent is with the consent of the Owner in possession of the goods any sale by him</p> <p>SA Ravinder Kumar - Legal Aspects Of Business, 4Ed-Cengage India (2016).pdf (D142409269)</p>				
132/685	SUBMITTED TEXT	12 WORDS	95% MATCHING TEXT	12 WORDS
<p>possession of the goods with the consent of the owner, he possession of the goods with the consent of the owner. (b) He</p> <p>W https://www.bdu.ac.in/cde/SLM/SLM_FULL/MBA/MBA%20III%20Semester/Legal%20Aspects%20of%20Business.P ...</p>				
133/685	SUBMITTED TEXT	47 WORDS	78% MATCHING TEXT	47 WORDS
<p>is entitled to retain possession of the goods until payment of price in the following cases. i) Where the goods have been sold without stipulations as to credit. ii) Where the goods have been sold on credit but the term of credit has expired. iii) Where the buyer becomes insolvent.</p> <p>is entitled to retain possession of until payment or tender the price the following cases: Where the goods have been sold without any stipulation as to credit; Where the goods have been sold on credit but the term of credit has expired; Where the buyer becomes insolvent.</p> <p>W http://www.fimt-ggsipu.org/study/bba210.pdf</p>				
134/685	SUBMITTED TEXT	14 WORDS	83% MATCHING TEXT	14 WORDS
<p>An unpaid seller loses his lien in the following circumstances : 1) When the</p> <p>An unpaid seller loses his lien in the following five cases: (i) when the</p> <p>W https://ebooks.lpude.in/management/mba/term_2/DMGT407_CORPORATE_AND_BUSINESS_LAWS.pdf</p>				
135/685	SUBMITTED TEXT	18 WORDS	90% MATCHING TEXT	18 WORDS
<p>possession of the goods by permission of the Co-owners the property in the goods may be transferred to any</p> <p>SA 4th Semester_Business Regulatory Framework.pdf (D165314949)</p>				
136/685	SUBMITTED TEXT	20 WORDS	73% MATCHING TEXT	20 WORDS
<p>without reserving the right of disposal. 2) When the buyer or his agent has lawfully obtained possession of the goods. 3) By waiver.</p> <p>SA Business Legislation Notes (Indian-Legal-System).docx (D159771781)</p>				
137/685	SUBMITTED TEXT	36 WORDS	39% MATCHING TEXT	36 WORDS
<p>The transit is at an end in the following cases : 1) When the buyer has taken delivery of the goods before reaching the destination. 2) When after reaching the destination the carrier intimates to the buyer</p> <p>The transit comes to an end in the following cases : If buyer or his agent obtains delivery of the goods before arrival at the appointed destination. If after the arrival of the goods at the destination, the carrier or other bailee acknowledges to the buyer</p> <p>W https://josephscollege.ac.in/lms/Uploads/pdf/material/LEGAL_ASPECTS_OF_BUSINESS.pdf</p>				

138/685	SUBMITTED TEXT	19 WORDS	60% MATCHING TEXT	19 WORDS
<p>of the buyer, the unpaid seller who has parted with the goods has a right of stoppage in transit</p> <p>SA Ravinder Kumar - Legal Aspects Of Business, 4Ed-Cengage India (2016).pdf (D142409269)</p>				
139/685	SUBMITTED TEXT	28 WORDS	50% MATCHING TEXT	28 WORDS
<p>of the goods. 2) Suit for non Delivery : When the seller wrongfully refuses or neglects to accept the goods the seller may sue him for non acceptance</p> <p>W https://pdfcoffee.com/blaw-pdf-free.html</p> <p>of the delivery of goods. 2. Suit for non- acceptance (Sec.56). the buyer wrongfully neglects or refuses to accept and pay for the goods, seller may sue him for damages non-acceptance.</p>				
140/685	SUBMITTED TEXT	24 WORDS	64% MATCHING TEXT	24 WORDS
<p>Contract 1) Suit for non Acceptance: When the buyer wrongfully refuses or neglects to accept the goods the seller may sue him for non acceptance</p> <p>SA Ravinder Kumar - Legal Aspects Of Business, 4Ed-Cengage India (2016).pdf (D142409269)</p>				
141/685	SUBMITTED TEXT	31 WORDS	64% MATCHING TEXT	31 WORDS
<p>either party repudiates the contract before the date of delivery the other party may either treat the contract as rescinded and sue for breach or wait till the date of delivery</p> <p>W https://www.bdu.ac.in/cde/SLM/SLM_FULL/MBA/MBA%20III%20Semester/Legal%20Aspects%20of%20Business.P ...</p> <p>either party repudiates the contract before the date of delivery, the other party may either - (i) Treat the contract as subsisting and wait till the date of delivery</p>				
142/685	SUBMITTED TEXT	41 WORDS	36% MATCHING TEXT	41 WORDS
<p>breach of warranty by the seller the buyer may. a) Set up against the seller the breach of warranty in diminution of the price. b) Set up the breach in extinction of the price. c) Sue the seller for damages for breach of warranty. 5)</p> <p>SA MBA-401 Business Law.pdf (D164737585)</p>				
143/685	SUBMITTED TEXT	14 WORDS	100% MATCHING TEXT	14 WORDS
<p>the seller is not bound to deliver the goods until the buyer applies for</p> <p>W https://www.bdu.ac.in/cde/SLM/SLM_FULL/MBA/MBA%20III%20Semester/Legal%20Aspects%20of%20Business.P ...</p> <p>The seller is not bound to deliver the goods until the buyer applies for</p>				
144/685	SUBMITTED TEXT	20 WORDS	92% MATCHING TEXT	20 WORDS
<p>goods sold are to be delivered at the place at which they are at the time of the contract and</p> <p>W https://ebooks.lpude.in/management/mba/term_2/DMGT407_CORPORATE_AND_BUSINESS_LAWS.pdf</p> <p>goods sold are to be delivered at the place at which they are at the time of the sale and</p>				

145/685	SUBMITTED TEXT	32 WORDS	47% MATCHING TEXT	32 WORDS
<p>goods and payment of the price are concurrent conditions. The seller must be willing to deliver the goods to the buyer while the buyer in turn must be willing to pay the price</p> <p>SA Ravinder Kumar - Legal Aspects Of Business, 4Ed-Cengage India (2016).pdf (D142409269)</p>				
146/685	SUBMITTED TEXT	31 WORDS	53% MATCHING TEXT	31 WORDS
<p>Goods in possession of Third Party : If the goods are in possession of a thrid party there is no delivery until such party acknowledges that he holds the goods on behalf</p> <p>SA Ravinder Kumar - Legal Aspects Of Business, 4Ed-Cengage India (2016).pdf (D142409269)</p>				
147/685	SUBMITTED TEXT	17 WORDS	71% MATCHING TEXT	17 WORDS
<p>It is the duty of the seller to place the goods under the disposal of the buyer. It is the duty of the seller to deliver the goods and of the buyer</p> <p>W https://www.bdu.ac.in/cde/SLM/SLM_FULL/MBA/MBA%20III%20Semester/Legal%20Aspects%20of%20Business.P ...</p>				
148/685	SUBMITTED TEXT	15 WORDS	78% MATCHING TEXT	15 WORDS
<p>the contract, the seller is under an obligation to send the goods to the buyer</p> <p>SA Business Legislation Notes (Indian-Legal-System).docx (D159771781)</p>				
149/685	SUBMITTED TEXT	44 WORDS	61% MATCHING TEXT	44 WORDS
<p>the buyer a larger or smaller quantity of goods than he ordered the buyer may (a) reject them (b) accept them or (c) accept the quantity he ordered and reject the rest. [Section 37(2)] (ii) If the seller mixes with goods ordered goods of wrong description</p> <p>SA Business Legislation Notes (Indian-Legal-System).docx (D159771781)</p>				
150/685	SUBMITTED TEXT	16 WORDS	68% MATCHING TEXT	16 WORDS
<p>to a carrier or a wharfinger is prima facie deemed to be delivery to the buyer. 2.14 to a carrier (named by the buyer or not) is prima-facie deemed to be delivery to the buyer.</p> <p>W https://www.bdu.ac.in/cde/SLM/SLM_FULL/MBA/MBA%20III%20Semester/Legal%20Aspects%20of%20Business.P ...</p>				
151/685	SUBMITTED TEXT	11 WORDS	100% MATCHING TEXT	11 WORDS
<p>goods. What are the different types of goods? 2. What is goods'. What are the different types of goods? 5. What is</p> <p>W https://pdfcoffee.com/blaw-pdf-free.html</p>				

152/685	SUBMITTED TEXT	11 WORDS	95% MATCHING TEXT	11 WORDS
<p>implied conditions and warranties in a contract of sale of goods. 5.</p> <p>W https://www.ddegjust.ac.in/studymaterial/bba/bba-201.pdf</p>		<p>IMPLIED CONDITIONS AND WARRANTIES (SECTION 14-17) In a contract of sale of goods,</p>		
153/685	SUBMITTED TEXT	18 WORDS	80% MATCHING TEXT	18 WORDS
<p>the buyer has the option to accept the goods ordered and reject the rest or reject the whole. [</p> <p>SA Ravinder Kumar - Legal Aspects Of Business, 4Ed-Cengage India (2016).pdf (D142409269)</p>				
154/685	SUBMITTED TEXT	19 WORDS	68% MATCHING TEXT	19 WORDS
<p>Act 1881, negotiable instrument means a promissory note, bi ll of exchange or cheque payable either to bearer or to</p> <p>W https://pdfcoffee.com/blaw-pdf-free.html</p>		<p>Act, "Negotiable instrument means a promissory note, bill of exchange or cheque payable either to order or to</p>		
155/685	SUBMITTED TEXT	15 WORDS	76% MATCHING TEXT	15 WORDS
<p>The essential features of a Negotiable Instrument Are : 1) It must be in writing. 2)</p> <p>W https://ebooks.lpude.in/management/mba/term_2/DMGT407_CORPORATE_AND_BUSINESS_LAWS.pdf</p>		<p>the essential elements of a negotiable instrument. These are as follows: 1. It must be in writing,</p>		
156/685	SUBMITTED TEXT	20 WORDS	87% MATCHING TEXT	20 WORDS
<p>Negotiable" means transferable by delivery while "Instrument" means a written document by which a right is created in favour of</p> <p>SA Business Legislation Notes (Indian-Legal-System).docx (D159771781)</p>				
157/685	SUBMITTED TEXT	35 WORDS	55% MATCHING TEXT	35 WORDS
<p>to pay. 6) The sum to be paid must be certain. 7) It must be signed by the maker. 8) The maker must be definite and certain. 9) The payment must be in legal tender money of India. 10)</p> <p>SA Ravinder Kumar - Legal Aspects Of Business, 4Ed-Cengage India (2016).pdf (D142409269)</p>				
158/685	SUBMITTED TEXT	19 WORDS	68% MATCHING TEXT	19 WORDS
<p>to pay Rs. 500 and all other sums which shall be due to Bis not a promissory note as the</p> <p>W https://cacwacs.files.wordpress.com/2014/08/law-vol-1.pdf</p>		<p>to pay B ` 350 and all other sums which shall be due to him", it is not a valid promissory note as the</p>		

159/685	SUBMITTED TEXT	69 WORDS	61% MATCHING TEXT	69 WORDS
<p>a promisory note is a written instrument containing an unconditional undertaking signed by the maker, to pay a certain sum of money only to, or to order of a certain person, or to the bearer of the instrument. The person who makes the promise to pay is called the maker while the person who makes the promise to pay is called the maker while the person who received the money is called</p> <p>SA Sambalpur_MBA_SEM_2_Legal Aspects of Business_Merged.pdf (D156214893)</p>				
160/685	SUBMITTED TEXT	20 WORDS	64% MATCHING TEXT	20 WORDS
<p>The maker of the Bi II of Exchange is called the Drawer. The person directed to pay is called the Drawee.</p> <p>The maker of a of exchange is called the 'drawer'. 2. Drawee : The person directed to pay the money by the drawer is called the 'drawee', 3.</p> <p>W https://pdfcoffee.com/blaw-pdf-free.html</p>				
161/685	SUBMITTED TEXT	44 WORDS	88% MATCHING TEXT	44 WORDS
<p>Act 1881, a bill of exchange is a written instrument containing an unconditional order, signed by the maker, directing a certain person to pay a certain sum of money only to, or to order of a certain person or to the bearer of the instrument.</p> <p>SA MBA-401 Business Law.pdf (D164737585)</p>				
162/685	SUBMITTED TEXT	20 WORDS	75% MATCHING TEXT	20 WORDS
<p>of the N.I. Act 1881,a cheque is a bill of exchange drawn upon a specified banker and payable on demand. 33</p> <p>SA Sambalpur_MBA_SEM_2_Legal Aspects of Business_Merged.pdf (D156214893)</p>				
163/685	SUBMITTED TEXT	15 WORDS	81% MATCHING TEXT	15 WORDS
<p>Cheque A Cheque is a Bill of Exchange drawn upon a specified banker payable on demand.</p> <p>SA Business Law Block-1.pdf (D164991125)</p>				
164/685	SUBMITTED TEXT	21 WORDS	90% MATCHING TEXT	21 WORDS
<p>is a person entitled to the possession thereof and to receive or recover the amount due thereon from the parties thereto.</p> <p>is "a person entitled in his own to the possession thereof and to receive or recover the amount due thereon from the parties thereto.</p> <p>W https://ebooks.lpude.in/management/mba/term_2/DMGT407_CORPORATE_AND_BUSINESS_LAWS.pdf</p>				

165/685	SUBMITTED TEXT	16 WORDS	78% MATCHING TEXT	16 WORDS
<p>means that the proceeds of the cheque must be credited to the account of the payee</p> <p>SA MBA SEM-I Business Law.pdf (D142212465)</p>				
166/685	SUBMITTED TEXT	18 WORDS	100% MATCHING TEXT	18 WORDS
<p>to believe that any defect existed in the title of the person from whom he derived his title. 3)</p> <p>SA Ravinder Kumar - Legal Aspects Of Business, 4Ed-Cengage India (2016).pdf (D142409269)</p>				
167/685	SUBMITTED TEXT	20 WORDS	77% MATCHING TEXT	20 WORDS
<p>A negotiable instrument made or drawn in India, and made payable in a drawn upon any person resident in India</p> <p>A negotiable instrument drawn or made in India and made payable in, or drawn upon any person resident in India</p> <p>W https://cacwacs.files.wordpress.com/2014/08/law-vol-1.pdf</p>				
168/685	SUBMITTED TEXT	11 WORDS	100% MATCHING TEXT	11 WORDS
<p>not affected by any defect in the title of the transferor. 2.</p> <p>not affected by any defect in the title of the transferor.</p> <p>W https://pdfcoffee.com/blaw-pdf-free.html</p>				
169/685	SUBMITTED TEXT	44 WORDS	46% MATCHING TEXT	44 WORDS
<p>the person to whom is it endorsed is called the endorsee. (Section 15) The essential of valid endorsements are : 1) It must be on the instrument. It there is no space on the instrument, the endorsement may be made on an attached slip of paper.</p> <p>The person to whom the is endorsed is called the endorsee. the endorsement on the back of the instrument; though it may be even the face it. Where no space is left on the instrument, the endorsement may be made on a slip of paper</p> <p>W https://ebooks.lpude.in/management/mba/term_2/DMGT407_CORPORATE_AND_BUSINESS_LAWS.pdf</p>				
170/685	SUBMITTED TEXT	17 WORDS	85% MATCHING TEXT	17 WORDS
<p>in the capacity in which he had signed to any holder in due course for such amount. 3.6</p> <p>SA MBA-401 Business Law.pdf (D164737585)</p>				
171/685	SUBMITTED TEXT	10 WORDS	100% MATCHING TEXT	10 WORDS
<p>It must be completed by delivery of the instrument. The</p> <p>It must be completed by delivery of the instrument. The</p> <p>W https://pdfcoffee.com/blaw-pdf-free.html</p>				

172/685	SUBMITTED TEXT	18 WORDS	64% MATCHING TEXT	18 WORDS
<p>must be signed by the endorser for the purpose of negotiation. 3) It must be made by the</p> <p>SA Business Legislation Notes (Indian-Legal-System).docx (D159771781)</p>				
173/685	SUBMITTED TEXT	18 WORDS	86% MATCHING TEXT	18 WORDS
<p>holder of a bill for Rs. 1000. He endorses it as pay B or order Rs. 500/- 37</p> <p>holder of a bill for Rs.1000. He endorses it "pay to B or order Rs.500."</p> <p>W https://pdfcoffee.com/blaw-pdf-free.html</p>				
174/685	SUBMITTED TEXT	16 WORDS	62% MATCHING TEXT	16 WORDS
<p>endorser in fuJl can not be sued by any person except the person in whose favour</p> <p>endorser in full cannot be sued by any one except the person in whose favour</p> <p>W https://pdfcoffee.com/blaw-pdf-free.html</p>				
175/685	SUBMITTED TEXT	26 WORDS	74% MATCHING TEXT	26 WORDS
<p>X, the payee of a bill, endorses it in blank and delivers it to Y.Y endorses it to Z or order. Z without any endorsement transfers</p> <p>X the payee holder of a bill of exchange. X endorses it in blank and delivers it to Y who endorses it in full to Z or order Z. without endorsement, transfers</p> <p>W https://cacwacs.files.wordpress.com/2014/08/law-vol-1.pdf</p>				
176/685	SUBMITTED TEXT	15 WORDS	89% MATCHING TEXT	15 WORDS
<p>Where a cheque is originally expressed to be payable to bearer, the drawee is</p> <p>where a cheque is originally expressed to be payable to bearer, the drawee is</p> <p>W https://cacwacs.files.wordpress.com/2014/08/law-vol-1.pdf</p>				
177/685	SUBMITTED TEXT	17 WORDS	88% MATCHING TEXT	17 WORDS
<p>by payment in due course to the bearer thereof notwithstanding any endorsement whether in full or in,</p> <p>by payment in due course to the bearer notwithstanding any endorsement thereon, whether in full or in</p> <p>W https://cacwacs.files.wordpress.com/2014/08/law-vol-1.pdf</p>				
178/685	SUBMITTED TEXT	21 WORDS	72% MATCHING TEXT	21 WORDS
<p>to pay the amount mentioned therein to or to the order of a specified persons the endorsement is said to be full. (</p> <p>SA EBSL605 (1).docx (D142458880)</p>				

179/685	SUBMITTED TEXT	24 WORDS	97% MATCHING TEXT	24 WORDS
<p>By payment in due course - The instrument is discharged by payment in due course by the party who is primarily liable to pay.</p> <p>SA Business Legislation Notes (Indian-Legal-System).docx (D159771781)</p>				
180/685	SUBMITTED TEXT	15 WORDS	90% MATCHING TEXT	15 WORDS
<p>the instrument must be made at or after the maturity to the holder of the instrument. (</p> <p>SA Business Legislation Notes (Indian-Legal-System).docx (D159771781)</p>				
181/685	SUBMITTED TEXT	20 WORDS	82% MATCHING TEXT	20 WORDS
<p>the holder of a bill allows drawee more than 48 hours exclusive of public holdings to consider whether he shall accept</p> <p>the holder of a bill allows the drawee more than 48 hours, exclusive of public holidays, to consider whether he will accept</p> <p>W https://pdfcoffee.com/blaw-pdf-free.html</p>				
182/685	SUBMITTED TEXT	24 WORDS	78% MATCHING TEXT	24 WORDS
<p>all parties not consenting to such allowance are discharged from liability to him. v) By non-presentment of cheque -If a cheque is not presented</p> <p>all previous parties not consenting to such allowance are discharged from liability to holder (Sec. 83). 6. By non-presentment of cheque : Where a cheque is not presented</p> <p>W https://pdfcoffee.com/blaw-pdf-free.html</p>				
183/685	SUBMITTED TEXT	10 WORDS	90% MATCHING TEXT	10 WORDS
<p>the drawer suffers damage through delay, he is discharged from liability.</p> <p>the drawer suffers actual damage through the delay, he is discharged from liability</p> <p>W https://pdfcoffee.com/blaw-pdf-free.html</p>				
184/685	SUBMITTED TEXT	18 WORDS	81% MATCHING TEXT	18 WORDS
<p>if the maker of a note or accept or of a bill becomes its holder at or after maturity(</p> <p>SA Business Legislation Notes (Indian-Legal-System).docx (D159771781)</p>				
185/685	SUBMITTED TEXT	20 WORDS	80% MATCHING TEXT	20 WORDS
<p>The maturity of a bill is the date on which it falls due. A bill which is payable on demand</p> <p>The maturity of a note or bill is the date on which it falls due. A note or bill, which is not expressed to be payable on demand,</p> <p>W https://cacwacs.files.wordpress.com/2014/08/law-vol-1.pdf</p>				

186/685	SUBMITTED TEXT	23 WORDS	68% MATCHING TEXT	23 WORDS
<p>bill which is not payable on demand becomes mature on the third day after the day on which it is expressed to be payable.</p>		<p>bill, which is not expressed to be payable on demand, at sight or on presentment; is at on the third day after the day on which it is expressed to be payable.</p>		
<p>W https://cacwacs.files.wordpress.com/2014/08/law-vol-1.pdf</p>				
187/685	SUBMITTED TEXT	17 WORDS	58% MATCHING TEXT	17 WORDS
<p>In calculating the maturity of a bill payable a certain number of days after date or sight,</p>		<p>in calculating the date at which a note or bill made payable at certain number of days after date or after sight</p>		
<p>W https://cacwacs.files.wordpress.com/2014/08/law-vol-1.pdf</p>				
188/685	SUBMITTED TEXT	23 WORDS	65% MATCHING TEXT	23 WORDS
<p>qualified or limited acceptance - If the holder agrees to qualified acceptance all prior parties not consenting to such acceptance are discharged from liability</p>				
<p>SA Sambalpur_MBA_SEM_2_Legal Aspects of Business_Merged.pdf (D156214893)</p>				
189/685	SUBMITTED TEXT	34 WORDS	80% MATCHING TEXT	34 WORDS
<p>on the next preceding business day. E.g. A Negotiable Instrument dated 29th January 1981 is made payable at one month after date. The instrument is at maturity on the 3rd day after 28th February 1981. 3.13</p>				
<p>SA MBA-401 Business Law.pdf (D164737585)</p>				
190/685	SUBMITTED TEXT	30 WORDS	40% MATCHING TEXT	30 WORDS
<p>instances of material alteration are (i) alteration of the date (ii) alteration of the sum payable (iii) alteration of time and place of delivery (iv) alteration of the rate of interest (</p>				
<p>SA Ravinder Kumar - Legal Aspects Of Business, 4Ed-Cengage India (2016).pdf (D142409269)</p>				
191/685	SUBMITTED TEXT	12 WORDS	91% MATCHING TEXT	12 WORDS
<p>Presumptions as to Negotiable Instruments The following presumptions as to Negotiable Instruments</p>		<p>Presumptions as to Negotiable Instruments Sections 118-119 enlist the following presumptions as to negotiable instruments: 1.</p>		
<p>W https://ebooks.lpude.in/management/mba/term_2/DMGT407_CORPORATE_AND_BUSINESS_LAWS.pdf</p>				
192/685	SUBMITTED TEXT	23 WORDS	68% MATCHING TEXT	23 WORDS
<p>to carry out the common intention of the parties. 4) Alteration made with the consent of the parties. 5) Alteration made before the instrument</p>				
<p>SA Ravinder Kumar - Legal Aspects Of Business, 4Ed-Cengage India (2016).pdf (D142409269)</p>				

193/685	SUBMITTED TEXT	16 WORDS	90% MATCHING TEXT	16 WORDS
<p>Consideration : That every Negotiable Instrument was made, drawn, accepted, endorsed, negotiated or transferred for consideration.</p> <p>SA Business Legislation Notes (Indian-Legal-System).docx (D159771781)</p>				
194/685	SUBMITTED TEXT	28 WORDS	90% MATCHING TEXT	28 WORDS
<p>Date : That every Negotiable Instrument hearing a date was made or drawn on such date. 3. Time of acceptance : That every accepted Bill of Exchange was accepted within</p> <p>SA MBA-401 Business Law.pdf (D164737585)</p>				
195/685	SUBMITTED TEXT	22 WORDS	95% MATCHING TEXT	22 WORDS
<p>its date and before its maturity. 4. Time of Transfer : That every transfer of a Negotiable Instrument was made before its maturity. 5.</p> <p>SA MBA-401 Business Law.pdf (D164737585)</p>				
196/685	SUBMITTED TEXT	12 WORDS	87% MATCHING TEXT	12 WORDS
<p>Negotiable Instrument was made in the order in which they appear thereon. 8. negotiable instrument were made in the order in which they appear thereon. 6.</p> <p>W https://pdfcoffee.com/blaw-pdf-free.html</p>				
197/685	SUBMITTED TEXT	21 WORDS	73% MATCHING TEXT	21 WORDS
<p>Holder in Due Course : That every holder of a Negotiable Instrument is a holder in due course. 6. Stamp : That</p> <p>SA MBA-401 Business Law.pdf (D164737585)</p>				
198/685	SUBMITTED TEXT	40 WORDS	74% MATCHING TEXT	40 WORDS
<p>Proof of Protest : In a suit upon an instrument, which has been dishonoured, the court on proof of protest presume the fact of dishonour until and unless such fact is disproved. (Sec. 119) 3.15 Dishonour of Negotiable Instruments A Negotiable Instrument</p> <p>SA Ravinder Kumar - Legal Aspects Of Business, 4Ed-Cengage India (2016).pdf (D142409269)</p>				
199/685	SUBMITTED TEXT	16 WORDS	75% MATCHING TEXT	16 WORDS
<p>where presentment is excused the bill is not accepted. 2) Where the drawee is incompetent to contract. 3)</p> <p>SA Business Law Block-1.pdf (D164991125)</p>				

200/685	SUBMITTED TEXT	18 WORDS	85% MATCHING TEXT	18 WORDS
<p>an instrument is dishonoured by non-acceptance or non-payment the holder or party thereto liable thereon must give notice</p> <p>W https://cacwacs.files.wordpress.com/2014/08/law-vol-1.pdf</p>		<p>an instrument is dishonoured either by non-acceptance or by non-payment, the holder thereof some party thereto who remains liable thereon must give notice</p>		
201/685	SUBMITTED TEXT	22 WORDS	78% MATCHING TEXT	22 WORDS
<p>seeks to make liable. 41 3.16 Notice of dishonour is not necessary i) When it is dispensed with by the party entitled</p> <p>W https://pdfcoffee.com/blaw-pdf-free.html</p>		<p>seeks to make liable the instrument. notice of dishonour is not necessary in the following cases: 1. When it is dispensed with by the party entitled</p>		
202/685	SUBMITTED TEXT	27 WORDS	76% MATCHING TEXT	27 WORDS
<p>dishonoured by non-payment when the maker of the note, the acceptor of the bill, the drawee of the cheque makes default in payment when required to pay the same.</p> <p>SA Ravinder Kumar - Legal Aspects Of Business, 4Ed-Cengage India (2016).pdf (D142409269)</p>				
203/685	SUBMITTED TEXT	27 WORDS	78% MATCHING TEXT	27 WORDS
<p>When the party charged could not suffer damages for want of notice. iv) When the party entitled to notice cannot be found after due search. v) When the</p> <p>SA Ravinder Kumar - Legal Aspects Of Business, 4Ed-Cengage India (2016).pdf (D142409269)</p>				
204/685	SUBMITTED TEXT	17 WORDS	100% MATCHING TEXT	17 WORDS
<p>has been dishonoured by non-acceptance or. non-payment the holder may cause such dishonour to be noted by</p> <p>W https://pdfcoffee.com/blaw-pdf-free.html</p>		<p>has been dishonoured by non-acceptance or non-payment, the holder may cause such dishonour to be noted by</p>		
205/685	SUBMITTED TEXT	16 WORDS	94% MATCHING TEXT	16 WORDS
<p>party entitled to notice, knowing the fact promises unconditionally to pay the amount due on the instrument.</p> <p>SA Ravinder Kumar - Legal Aspects Of Business, 4Ed-Cengage India (2016).pdf (D142409269)</p>				
206/685	SUBMITTED TEXT	15 WORDS	90% MATCHING TEXT	15 WORDS
<p>promise to pay X Rs. 5,000/-and all other sums which shall be due to him." 4.</p> <p>SA MBA SEM-I Business Law.pdf (D142212465)</p>				

207/685	SUBMITTED TEXT	17 WORDS	58% MATCHING TEXT	17 WORDS
<p>of Prospectus 4.14.1 Contents of the Prospectus 4.14.2 Mis-statements in Prospectus and their consequences 4.15 Statement in lieu of Prospectus</p>		<p>of Prospectus 3.5 Contents of Prospectus 3.6 Mis-statement in Prospectus 3.7 Statement in lieu of Prospectus 3.8</p>		
<p>W https://www.ddegjust.ac.in/studymaterial/bba/bba-201.pdf</p>				
208/685	SUBMITTED TEXT	17 WORDS	62% MATCHING TEXT	17 WORDS
<p>a Private Company becomes a Public Company 4.5 Circumstances when a Public Company becomes a Private company 4.6</p>				
<p>SA Ravinder Kumar - Legal Aspects Of Business, 4Ed-Cengage India (2016).pdf (D142409269)</p>				
209/685	SUBMITTED TEXT	13 WORDS	100% MATCHING TEXT	13 WORDS
<p>Voluntary Winding-up 4.72.1 Winding-up Subject to Supervision of the Court 4.72.2 Consequences of Winding-up 4.73</p>		<p>Voluntary Winding Up 18.7 Winding Up subject to Supervision of the Court 18.8 Consequences of Winding up 18.9</p>		
<p>W https://pdfcoffee.com/blaw-pdf-free.html</p>				
210/685	SUBMITTED TEXT	15 WORDS	84% MATCHING TEXT	15 WORDS
<p>One Man Company This is a company in which one man holds the whole of</p>		<p>one man company. It is a company in which one man holds practically the whole of</p>		
<p>W https://pdfcoffee.com/blaw-pdf-free.html</p>				
211/685	SUBMITTED TEXT	17 WORDS	91% MATCHING TEXT	17 WORDS
<p>share capital and in order to meet the statutory requirement of minimum number of members some dummy members</p>		<p>share capital. In order to meet the statutory requirement of minimum number of members, some dummy members</p>		
<p>W https://pdfcoffee.com/blaw-pdf-free.html</p>				
212/685	SUBMITTED TEXT	12 WORDS	90% MATCHING TEXT	12 WORDS
<p>Issue of Shares at a Premium 4.25.1 Issue of Shares at a</p>				
<p>SA MBA-401 Business Law.pdf (D164737585)</p>				
213/685	SUBMITTED TEXT	23 WORDS	80% MATCHING TEXT	23 WORDS
<p>if Company Dis a subsidiary of Company C, then Company D will be a subsidiary of Company B and consequently of Company A. 4.2.3</p>		<p>If company 'D' is a subsidiary of company 'C', then company 'D' shall also be a subsidiary of company 'B' and consequently also of company 'A'.</p>		
<p>W https://ebooks.lpude.in/management/mba/term_2/DMGT407_CORPORATE_AND_BUSINESS_LAWS.pdf</p>				

214/685	SUBMITTED TEXT	30 WORDS	45% MATCHING TEXT	30 WORDS
<p>Subsidiary Company A Company is considered to be a subsidiary of another if (i) control over the composition of Board of Directors is exercised by that other; (ii) more than half</p> <p>SA Ravinder Kumar - Legal Aspects Of Business, 4Ed-Cengage India (2016).pdf (D142409269)</p>				
215/685	SUBMITTED TEXT	29 WORDS	74% MATCHING TEXT	29 WORDS
<p>Government Companies: 1) The auditor of a Government Company is appointed or reappointed by the Central Govt. on the advise of the Comptroller & Auditor General of India [Sec. 619(2)]. 2)</p> <p>government The auditor of a government company shall be appointed or reappointed by the Central Government on the advice of the Comptroller and Auditor General of India. [Sec. 619(2)]</p> <p>W https://pdfcoffee.com/blaw-pdf-free.html</p>				
216/685	SUBMITTED TEXT	35 WORDS	64% MATCHING TEXT	35 WORDS
<p>The auditor of a Government Company is required to submit a copy of the audit report to the Comptroller & Auditor General of India who has the right to comment 49 upon or supplement the audit report [</p> <p>The auditor of the Government Company has to submit a copy of his audit report to the C.&A.G.I. who has the right to comment upon, or supplement the audit report</p> <p>W https://ebooks.lpude.in/management/mba/term_2/DMGT407_CORPORATE_AND_BUSINESS_LAWS.pdf</p>				
217/685	SUBMITTED TEXT	13 WORDS	100% MATCHING TEXT	13 WORDS
<p>audit report must be placed before the annual general meeting of the company [</p> <p>audit report must be placed before the annual general meeting of the company</p> <p>W https://ebooks.lpude.in/management/mba/term_2/DMGT407_CORPORATE_AND_BUSINESS_LAWS.pdf</p>				
218/685	SUBMITTED TEXT	15 WORDS	100% MATCHING TEXT	15 WORDS
<p>together with a copy of the audit report and any comments upon or supplement to</p> <p>together with a copy of the audit report and any comments upon or supplement to,</p> <p>W https://ebooks.lpude.in/management/mba/term_2/DMGT407_CORPORATE_AND_BUSINESS_LAWS.pdf</p>				
219/685	SUBMITTED TEXT	16 WORDS	100% MATCHING TEXT	16 WORDS
<p>together with a copy of the audit report and any comments upon or supplement to. 4.2.5</p> <p>together with a copy of the audit report and any comments upon or supplement to,</p> <p>W https://ebooks.lpude.in/management/mba/term_2/DMGT407_CORPORATE_AND_BUSINESS_LAWS.pdf</p>				

220/685	SUBMITTED TEXT	42 WORDS	81% MATCHING TEXT	42 WORDS
<p>where not less than 50% of the paid up share capital (whether equity or preference or partly equity and partly preference) of a foreign company (Company incorporated outside India) having an established place of business in India is held by one or more citizens</p>		<p>where not less than 50% of the paid-up share capital (whether equity or preference or partly equity and partly preference) of a company incorporated outside India and having an Unit 7: Concept of a Company Notes established place of business in India, is held by one or more citizens</p>		
<p>W https://ebooks.lpude.in/management/mba/term_2/DMGT407_CORPORATE_AND_BUSINESS_LAWS.pdf</p>				
221/685	SUBMITTED TEXT	17 WORDS	96% MATCHING TEXT	17 WORDS
<p>must within 30 days of the establishment of place of business file with the Registrar of Companies :</p>		<p>must, within 30 days of the establishment of such place of business, file with the Registrar of Companies</p>		
<p>W https://ebooks.lpude.in/management/mba/term_2/DMGT407_CORPORATE_AND_BUSINESS_LAWS.pdf</p>				
222/685	SUBMITTED TEXT	28 WORDS	90% MATCHING TEXT	28 WORDS
<p>Government Company A Government Company means any company in which not less than 51 % of the paid up share capital is held by the Central Govt. or by</p>				
<p>SA 004_Business Environment.pdf (D142522848)</p>				
223/685	SUBMITTED TEXT	35 WORDS	84% MATCHING TEXT	35 WORDS
<p>of the Company and if the instrument is not in English a certified translation thereof. ii) Full address of the registered or principal office of the Company. iii) A list of the directors and secretary of the company.</p>				
<p>SA 3 B.COM _ IV SEM _ 22DCBGL43 Company Law.pdf (D143464602)</p>				
224/685	SUBMITTED TEXT	23 WORDS	68% MATCHING TEXT	23 WORDS
<p>in any of the particulars aforesaid, the company is required to file with the Registrar a return of such alterations within the prescribed time (</p>		<p>in any of the above particulars, the company has to file with the Registrar of Companies a return of such alteration within the prescribed time.</p>		
<p>W https://ebooks.lpude.in/management/mba/term_2/DMGT407_CORPORATE_AND_BUSINESS_LAWS.pdf</p>				
225/685	SUBMITTED TEXT	13 WORDS	88% MATCHING TEXT	13 WORDS
<p>a private company in complying with the essential requirements of a private company,</p>		<p>a private company makes a default in complying with the essential requirements of a private company,</p>		
<p>W https://pdfcoffee.com/blaw-pdf-free.html</p>				
226/685	SUBMITTED TEXT	19 WORDS	88% MATCHING TEXT	19 WORDS
<p>Where not less than 25% of the paid up share capital is held by one or more bodies corporate,</p>		<p>Where not less than 25% of the paid-up share capital of a private company is held by one or more bodies" corporate</p>		
<p>W https://www.ddegjust.ac.in/studymaterial/bba/bba-201.pdf</p>				

227/685	SUBMITTED TEXT	15 WORDS	86% MATCHING TEXT	15 WORDS
<p>a Public Company on and from the date on which the aforesaid percentage is held</p> <p>W https://pdfcoffee.com/blaw-pdf-free.html</p>		<p>a public company on and from the date on which the prescribed percentage is first held.</p>		
228/685	SUBMITTED TEXT	11 WORDS	100% MATCHING TEXT	11 WORDS
<p>may continue to have two directors and less than seven members [</p> <p>W https://www.ddegjust.ac.in/studymaterial/bba/bba-201.pdf</p>		<p>may continue to have two directors and less than seven members. (24)</p>		
229/685	SUBMITTED TEXT	30 WORDS	62% MATCHING TEXT	30 WORDS
<p>the Registrar shall delete the word "Private" before the word "Limited" in the name of the Company upon the Register. He shall also make the necessary alterations in the certificate of incorporation</p> <p>W https://www.ddegjust.ac.in/studymaterial/bba/bba-201.pdf</p>		<p>The Registrar shall delete the word 'Private' before the words 'Limited' in the name of the company and shall also make necessary alterations in the certificate of incorporation.</p>		
230/685	SUBMITTED TEXT	36 WORDS	87% MATCHING TEXT	36 WORDS
<p>company makes default in comply with this provision, the company and every officer of the compary who is in default is punishable with fine which may extend upto Rs. 500/- for every day during which the default continues [</p> <p>W https://pdfcoffee.com/blaw-pdf-free.html</p>		<p>company makes default in complying with this provision, the company and every officer of the company who is in default is punishable with fine which may extend to Rs.500/- for every day during which the default continues.</p>		
231/685	SUBMITTED TEXT	15 WORDS	100% MATCHING TEXT	15 WORDS
<p>A private company, which has become a public company by virtue of Sec 43A</p> <p>W https://pdfcoffee.com/blaw-pdf-free.html</p>		<p>a private company which has become a public company by virtue of Sec.43-A</p>		
232/685	SUBMITTED TEXT	23 WORDS	79% MATCHING TEXT	23 WORDS
<p>or persons resident in India, authorised to accept on behalf of the company service of process and notices required to be served on the</p> <p>SA MBA-401 Business Law.pdf (D164737585)</p>				
233/685	SUBMITTED TEXT	18 WORDS	55% MATCHING TEXT	18 WORDS
<p>the approval of the Central Govt. and in accordance with the Companies Act again become a private company [</p> <p>W https://pdfcoffee.com/blaw-pdf-free.html</p>		<p>the approval of the Central Government and in accordance with the provisions of the Act. 3. Conversion by choice (Sec.44) A private company</p>		

234/685	SUBMITTED TEXT	25 WORDS	56% MATCHING TEXT	25 WORDS
<p>Where the average annual turnover of a private company, is not, during the relevant period, less than such amount as prescribed, the private company shall,</p>		<p>Where the average annual turnover of a private company is not less than Rs. 10 crores during the relevant period, such a private company shall</p>		
<p>W https://www.ddegjust.ac.in/studymaterial/bba/bba-201.pdf</p>				
235/685	SUBMITTED TEXT	14 WORDS	100% MATCHING TEXT	14 WORDS
<p>on and from the expiry of three months from the last day of the</p>		<p>on and from the expiry of three months from the last day of the</p>		
<p>W https://pdfcoffee.com/blaw-pdf-free.html</p>				
236/685	SUBMITTED TEXT	31 WORDS	77% MATCHING TEXT	31 WORDS
<p>a) restricts the right of the members of transfer their shares (b) limits the number of its members to 50 (c) prohibits any invitation to the public to subscribe for any shares</p>		<p>a) restricts the right of members transfer its shares, if any limits the number of its members to 50. c) prohibits any invitation to the public to subscribe for any shares</p>		
<p>W https://pdfcoffee.com/blaw-pdf-free.html</p>				
237/685	SUBMITTED TEXT	14 WORDS	82% MATCHING TEXT	14 WORDS
<p>a copy of the altered articles to the Registrar within one month of the</p>		<p>a printed copy of the altered Articles are to be filed with the Registrar within one month of the</p>		
<p>W https://pdfcoffee.com/blaw-pdf-free.html</p>				
238/685	SUBMITTED TEXT	49 WORDS	52% MATCHING TEXT	49 WORDS
<p>and the company carries on business for more than 6 months while the number is so reduced, every person who remains a member after 6 months and is aware of the fact of shortage of members shall be personally liable for all the debts of the company contracted during that time. 4.7</p>		<p>and the company carries on the business for more than 6 months while the are so reduced, every person who is a member during the time it so carries on after those 6 months and is aware of the that it is with fewer than the requisite shall be personally liable for the whole of the debts contracted during that time (</p>		
<p>W https://ebooks.lpude.in/management/mba/term_2/DMGT407_CORPORATE_AND_BUSINESS_LAWS.pdf</p>				
239/685	SUBMITTED TEXT	24 WORDS	54% MATCHING TEXT	24 WORDS
<p>the Central Govt., registration of associations is permitted not for profit with limited liabilities without using the word "limited" or words "private limited" to their</p>		<p>the Central of an association not for profit with limited liability without .being required to use the word limited or words 'Private Limited' to their</p>		
<p>W https://www.bdu.ac.in/cde/SLM/SLM_FULL/MBA/MBA%20III%20Semester/Legal%20Aspects%20of%20Business.P ...</p>				
240/685	SUBMITTED TEXT	16 WORDS	81% MATCHING TEXT	16 WORDS
<p>a company formed for promoting commerce, art, science, religion, charity or any other useful object and</p>		<p>a Company for promoting commerce, art religion charity or any other useful object and (</p>		
<p>W https://www.bdu.ac.in/cde/SLM/SLM_FULL/MBA/MBA%20III%20Semester/Legal%20Aspects%20of%20Business.P ...</p>				

241/685	SUBMITTED TEXT	14 WORDS	96% MATCHING TEXT	14 WORDS
any dividend to its members but to apply its profits or other income		any dividend to its members but to apply its profits or other income		
W https://www.bdu.ac.in/cde/SLM/SLM_FULL/MBA/MBA%20III%20Semester/Legal%20Aspects%20of%20Business.P ...				
242/685	SUBMITTED TEXT	30 WORDS	66% MATCHING TEXT	30 WORDS
the association enjoys all the privileges of a limited company and is subject to all its obligations except in respect of those of which 53 exemption is granted by the Central		The Company enjoys all the privileges of a Limited Company and is subject to all its obligations except those, in respect of which exemption by special or order is granted by the Central		
W https://www.bdu.ac.in/cde/SLM/SLM_FULL/MBA/MBA%20III%20Semester/Legal%20Aspects%20of%20Business.P ...				
243/685	SUBMITTED TEXT	15 WORDS	96% MATCHING TEXT	15 WORDS
An association of more than 10 persons carrying on business in banking or an association		an association of more than ten persons carrying on business in banking or an association		
W https://www.ddegjust.ac.in/studymaterial/bba/bba-201.pdf				
244/685	SUBMITTED TEXT	18 WORDS	96% MATCHING TEXT	18 WORDS
more than 20 persons carrying on any other type of business must be registered under the Companies Act.		more than twenty persons carrying on any other type of business must be registered under the Companies Act		
W https://www.ddegjust.ac.in/studymaterial/bba/bba-201.pdf				
245/685	SUBMITTED TEXT	20 WORDS	100% MATCHING TEXT	20 WORDS
The State in which the registered office of the company is to be situated. iii) The objects of the company		the State, in which the registered office of the company is to be situated; (iii) the objects of the company,		
W https://ebooks.lpude.in/management/mba/term_2/DMGT407_CORPORATE_AND_BUSINESS_LAWS.pdf				
246/685	SUBMITTED TEXT	28 WORDS	60% MATCHING TEXT	28 WORDS
a) The main objects of the company. b) Objects incidental to the attainment of the main object. c) Any other objects of the company. iv) In case of a company		a) the main objects of the company, together with objects incidental or ancillary to the attainment of the main objects (other objects of the company not in (In the case of a company (
W https://www.bdu.ac.in/cde/SLM/SLM_FULL/MBA/MBA%20III%20Semester/Legal%20Aspects%20of%20Business.P ...				
247/685	SUBMITTED TEXT	34 WORDS	39% MATCHING TEXT	34 WORDS
of the Memorandum The Memorandum of every company must state : i) The name of the company with "limited" or "private limited" as the last word depending whether the company is a public or private limited				
SA Sambalpur_MBA_SEM_2_Legal Aspects of Business_Merged.pdf (D156214893)				

248/685	SUBMITTED TEXT	23 WORDS	97% MATCHING TEXT	23 WORDS
<p>The amount of share capital with which the company is to be registered and the division thereof into shares of a fixed amount. The</p> <p>SA EBSL605 (1).docx (D142458880)</p>				
249/685	SUBMITTED TEXT	25 WORDS	68% MATCHING TEXT	25 WORDS
<p>name, which in the opinion of the Central Govt. is undesirable i.e. if it is either. 54 i) Two similar to the name of another company or.</p> <p>SA COMPANY LAW - Dr.C.Sahila.pdf (D142738127)</p>				
250/685	SUBMITTED TEXT	33 WORDS	82% MATCHING TEXT	33 WORDS
<p>Notice of the situation of its registered office and of every change must be given to the Registrar within 30 days after the date of incorporation of the Company or after the date of change.</p> <p>W http://www.fimt-ggsipu.org/study/bba210.pdf</p>				
251/685	SUBMITTED TEXT	34 WORDS	67% MATCHING TEXT	34 WORDS
<p>a) Main objects of the company to be pursued after incorporation and objects incidental or ancillary to the attainment of the main objects. b) Any other objects of the Company not included in</p> <p>W https://ebooks.lpude.in/management/mba/term_2/DMGT407_CORPORATE_AND_BUSINESS_LAWS.pdf</p>				
252/685	SUBMITTED TEXT	26 WORDS	88% MATCHING TEXT	26 WORDS
<p>If through inadvertence or otherwise a company is registered by a name which in the opinion of the Central Govt. is identical with or very nearly</p> <p>W http://www.fimt-ggsipu.org/study/bba210.pdf</p>				
253/685	SUBMITTED TEXT	23 WORDS	60% MATCHING TEXT	23 WORDS
<p>the name of another company, the company may by ordinary resolution and with the previous approval of the Central Govt. change its name.</p> <p>W https://www.bdu.ac.in/cde/SLM/SLM_FULL/MBA/MBA%20III%20Semester/Legal%20Aspects%20of%20Business.P...</p>				

254/685	SUBMITTED TEXT	38 WORDS	80% MATCHING TEXT	38 WORDS
<p>If default is made by the company, then the company and every officer of the company who is in default shall be punishable with fine which may extend to Rs. 100 for every day during which the default continues.</p> <p>W https://www.ddegjust.ac.in/studymaterial/bba/bba-201.pdf</p>		<p>If default is made in the particulars of the company and every officer of the company or any other person who is in default shall be punishable with fine which may extend to Rs. 500 for every day during which the default continues.</p>		
255/685	SUBMITTED TEXT	32 WORDS	54% MATCHING TEXT	32 WORDS
<p>of Registered Office from One State to another and objects (Secs, 17-19) : A company may alter the provisions of the memorandum so as to change the place of its registered office from</p> <p>W https://www.bdu.ac.in/cde/SLM/SLM_FULL/MBA/MBA%20III%20Semester/Legal%20Aspects%20of%20Business.P ...</p>		<p>of its registered office from one state say West Bengal to another State say Tamil Nadu". (i) The Company may by a special resolution the provisions of memorandum so as to change the- place of Its registered office from</p>		
256/685	SUBMITTED TEXT	17 WORDS	66% MATCHING TEXT	17 WORDS
<p>Carry on its business more economically. ii) Attain its main purpose by new or improved means. iii) Enlarge</p> <p>W https://www.ddegjust.ac.in/studymaterial/bba/bba-201.pdf</p>		<p>carry on its business more economically or more effectively; ii) to enable the company to attain its main purpose by new or improved means; to enlarge</p>		
257/685	SUBMITTED TEXT	31 WORDS	87% MATCHING TEXT	31 WORDS
<p>Every Company must paint or affix its name and address of its registered office and keep the same affix or affixed on the outside of every office or place in which</p> <p>SA EBSL605 (1).docx (D142458880)</p>		<p>Every Company must paint or affix its name and address of its registered office and keep the same affix or affixed on the outside of every office or place in which</p>		
258/685	SUBMITTED TEXT	16 WORDS	86% MATCHING TEXT	16 WORDS
<p>with a printed copy of the altered memorandum to be filed with the Registrar within 3</p> <p>W https://pdfcoffee.com/blaw-pdf-free.html</p>		<p>with a copy of the altered Articles are to be filed with the Registrar within</p>		
259/685	SUBMITTED TEXT	43 WORDS	59% MATCHING TEXT	43 WORDS
<p>local area of operation. 55 iv) Can-yon some business, which may be advantageously combined with the business of the company. v) Restrict or abandon any of the objects mentioned in the memorandum. vi) Sell the whole or any part of the business. vii) Amalgamate with some other company.</p> <p>SA 004_Business Environment.pdf (D142522848)</p>		<p>local area of operation. 55 iv) Can-yon some business, which may be advantageously combined with the business of the company. v) Restrict or abandon any of the objects mentioned in the memorandum. vi) Sell the whole or any part of the business. vii) Amalgamate with some other company.</p>		

260/685	SUBMITTED TEXT	16 WORDS	96% MATCHING TEXT	16 WORDS
<p>shall be communicated to the company within four weeks from the date of receipt of application</p> <p>W https://www.bdu.ac.in/cde/SLM/SLM_FULL/MBA/MBA%20III%20Semester/Legal%20Aspects%20of%20Business.P ...</p>		<p>shall be communicated to the Company within four weeks from the date of receipt of the application. (</p>		
261/685	SUBMITTED TEXT	34 WORDS	89% MATCHING TEXT	34 WORDS
<p>No company shall change the place of its registered office from one place to another within a state unless such change is confirmed by the Regional Director. 2) The company shall make an application in</p> <p>SA MBA-401 Business Law.pdf (D164737585)</p>				
262/685	SUBMITTED TEXT	28 WORDS	76% MATCHING TEXT	28 WORDS
<p>share warrants. 2) Lien on Shares. 3) Calls on Shares. 5 6 4) Transfer of Shares. 5) Transmission of Shares. 6) Conversion of Shares into stock. 7) Alteration of Capital. 8) General meetings and proceedings</p> <p>SA 3 B.COM _ IV SEM _ 22DCBGL43 Company Law.pdf (D143464602)</p>				
263/685	SUBMITTED TEXT	13 WORDS	95% MATCHING TEXT	13 WORDS
<p>The alteration must not constitute a fraud on the minority. The majority</p> <p>W https://ebooks.lpude.in/management/mba/term_2/DMGT407_CORPORATE_AND_BUSINESS_LAWS.pdf</p>		<p>The alteration must not constitute a fraud on the minority by the majority.</p>		
264/685	SUBMITTED TEXT	18 WORDS	55% MATCHING TEXT	18 WORDS
<p>Dividends and Reserves. 13) Accounts and Audit. 14) Capitalization of Profits. 15) Borrowing powers. 16) Winding up. 4.10.1 Alteration of Articles of Association</p> <p>SA MBA-401 Business Law.pdf (D164737585)</p>				
265/685	SUBMITTED TEXT	14 WORDS	75% MATCHING TEXT	14 WORDS
<p>which has the effect of converting a public company into a private one, shall not</p> <p>SA MBA-401 Business Law.pdf (D164737585)</p>				
266/685	SUBMITTED TEXT	38 WORDS	85% MATCHING TEXT	38 WORDS
<p>The memorandum and articles shall bind the company and the members thereof to the same extent as if they respectively had been signed by the company and each member and contained covenants on their part to observe them. The</p> <p>SA EBSL605 - ALL - Check 1.doc (D142406456)</p>				

267/685	SUBMITTED TEXT	14 WORDS	78% MATCHING TEXT	14 WORDS
<p>the company is bound to individual members in respect of their rights as members.</p> <p>SA MBA-401 Business Law.pdf (D164737585)</p>				
268/685	SUBMITTED TEXT	19 WORDS	87% MATCHING TEXT	19 WORDS
<p>any member can sue the company to prevent any breach of articles, which would affect his rights as a member.</p> <p>SA NOTES.docx (D143726320)</p>				
269/685	SUBMITTED TEXT	15 WORDS	90% MATCHING TEXT	15 WORDS
<p>person dealing with the company is deemed to have constructive notice of their contents. But this</p> <p>person dealing with the company is deemed to have constructive notice of their contents. This</p> <p>W https://cacwacs.files.wordpress.com/2014/08/law-vol-1.pdf</p>				
270/685	SUBMITTED TEXT	15 WORDS	100% MATCHING TEXT	15 WORDS
<p>mean that outsiders are deemed to have notice of the internal affairs of the company. 4.11</p> <p>mean that outsiders are deemed to have notice of the internal affairs of the company.</p> <p>W https://cacwacs.files.wordpress.com/2014/08/law-vol-1.pdf</p>				
271/685	SUBMITTED TEXT	21 WORDS	77% MATCHING TEXT	21 WORDS
<p>A company limited by shares need not have its Articles for in such a case Table A applies. 3. There are strict restrictions</p> <p>A company limited by own Memorandum Shares need not have Articles its own. In such A case, Table A Applies. 6. There are strict restrictions 6.</p> <p>W https://www.ddegjust.ac.in/studymaterial/bba/bba-201.pdf</p>				
272/685	SUBMITTED TEXT	13 WORDS	75% MATCHING TEXT	13 WORDS
<p>in the name of the company, an aggrieved member may sue in his name.</p> <p>SA On My tips.docx (D26069536)</p>				
273/685	SUBMITTED TEXT	22 WORDS	43% MATCHING TEXT	22 WORDS
<p>of the company. 4. It is the supreme document. 4.They are subordinate to the memorandum. If there is a conflict between Articles and the Memorandum,</p> <p>SA MBA-401 Business Law.pdf (D164737585)</p>				

274/685	SUBMITTED TEXT	12 WORDS	100% MATCHING TEXT	12 WORDS
Where a person dealing with the company could discover the irregularity		Where a person dealing with the company could discover the irregularity		
W https://www.bdu.ac.in/cde/SLM/SLM_FULL/MBA/MBA%20III%20Semester/Legal%20Aspects%20of%20Business.P...				
275/685	SUBMITTED TEXT	35 WORDS	84% MATCHING TEXT	35 WORDS
Any act of the company, which is ultra vires the Memorandum, is wholly void and cannot be ratified even by the shareholders. 5. Any act of the company, which is ultra vires the Articles, can be confirmed by the Shareholders. 4.12				
SA COMPANY LAW - Dr.C.Sahila.pdf (D142738127)				
276/685	SUBMITTED TEXT	16 WORDS	62% MATCHING TEXT	16 WORDS
The following documents along with the requisite fees have to be filed before the Registrar of		the following documents along with the application and prescribed fees, are to be filed the Registrar: (1) Memorandum of		
W https://cacwacs.files.wordpress.com/2014/08/law-vol-1.pdf				
277/685	SUBMITTED TEXT	23 WORDS	91% MATCHING TEXT	23 WORDS
of the State in which the registered office of the company seeks to be situated. i) Memorandum of Association duly signed by the subscribers (of the State in which the registered office of the company is to be situated : 1) The memorandum of association duly signed by the subscribers. 2)		
W https://pdfcoffee.com/blaw-pdf-free.html				
278/685	SUBMITTED TEXT	29 WORDS	89% MATCHING TEXT	29 WORDS
company enters into a contract with a third party and if the act of 59 an agent is beyond the scope of his authority the company is not bound.				
SA Ravinder Kumar - Legal Aspects Of Business, 4Ed-Cengage India (2016).pdf (D142409269)				
279/685	SUBMITTED TEXT	15 WORDS	66% MATCHING TEXT	15 WORDS
in case of Public Companies and 2 in case of Private Companies). ii) Articles of Association				
SA 346E1250_Legal Environment of Business.pdf (D165203702)				
280/685	SUBMITTED TEXT	23 WORDS	58% MATCHING TEXT	23 WORDS
the Registrar is satisfied that all requirements of registration have been complied with, he will register the company and issue a Certificate				
SA COMPANY LAW - Dr.C.Sahila.pdf (D142738127)				

281/685	SUBMITTED TEXT	22 WORDS	50% MATCHING TEXT	22 WORDS
<p>give the company the benefit of all contracts made by him for it. 3) Must not make an unfair use of his position.</p> <p>SA COMPANY LAW - Dr.C.Sahila.pdf (D142738127)</p>				
282/685	SUBMITTED TEXT	33 WORDS	84% MATCHING TEXT	33 WORDS
<p>Pre-Incorporation Contracts The promoters of a company usually enter into contracts to acquire property or right for the company which is yet to be incorporated. Such contracts are called preliminary or preincorporation contracts. The promoters</p> <p>SA COMPANY LAW - Dr.C.Sahila.pdf (D142738127)</p>				
283/685	SUBMITTED TEXT	14 WORDS	100% MATCHING TEXT	14 WORDS
<p>the company is not liable for the acts of the promoters. done before its incorporation.</p> <p>SA COMPANY LAW - Dr.C.Sahila.pdf (D142738127)</p>				
284/685	SUBMITTED TEXT	26 WORDS	82% MATCHING TEXT	26 WORDS
<p>inviting offers from the public for the subscription or purchase of any share in or debentures of a body corporate Sec 2(36). 4.14.1 Contents of the Prospectus (</p> <p>W http://www.fimt-ggsipu.org/study/bba210.pdf</p>				
285/685	SUBMITTED TEXT	17 WORDS	79% MATCHING TEXT	17 WORDS
<p>a report by the auditors showing the profit and loss and assets and liabilities of the company,</p> <p>W https://pdfcoffee.com/blaw-pdf-free.html</p>				
286/685	SUBMITTED TEXT	22 WORDS	65% MATCHING TEXT	22 WORDS
<p>objects of the company and particulars of signatories to the memorandum and · shares subscribed by them. xii) Number and classes of shares,</p> <p>W https://www.ddegjust.ac.in/studymaterial/bba/bba-201.pdf</p>				
287/685	SUBMITTED TEXT	17 WORDS	75% MATCHING TEXT	17 WORDS
<p>Civil Liabilities : A person who has been induced to subscribe for shares on the faith of</p> <p>W https://www.ddegjust.ac.in/studymaterial/bba/bba-201.pdf</p>				

288/685	SUBMITTED TEXT	19 WORDS	88% MATCHING TEXT	19 WORDS
<p>the prospectus has remedies against (i) the company and (ii) directors, promoters and experts. (i) Remedies against the Company :</p>		<p>the misleading has remedies against— the company, and the directors, promoters, and experts Remedies against the company</p>		
<p>W https://josephscollege.ac.in/lms/uploads/pdf/material/LEGAL_ASPECTS_OF_BUSINESS.pdf</p>				
289/685	SUBMITTED TEXT	29 WORDS	83% MATCHING TEXT	29 WORDS
<p>the contract if the following conditions are fulfilled : 1) The Statement must be a material misrepresentation of fact. 2) It must have induced the shareholders to take the shares. 3)</p>		<p>The contract can be rescinded if the following conditions are satisfied: 1) The statement must b a material misrepresentation of fact 2) It must have induced the shareholder to take the shares. 3)</p>		
<p>W https://www.ddegjust.ac.in/studymaterial/bba/bba-201.pdf</p>				
290/685	SUBMITTED TEXT	31 WORDS	79% MATCHING TEXT	31 WORDS
<p>must have relied on the statement. 5) The omission of a material fact must be misleading. 6) The proceedings for rescission must be started as soon as the allottee comes to know of</p>		<p>must have relied on the statement in the prospectus. 4) The omission of material fact must be misleading before recession is granted. (19) 5) The proceedings for recession must be started as soon as the allottee comes to know of</p>		
<p>W https://www.ddegjust.ac.in/studymaterial/bba/bba-201.pdf</p>				
291/685	SUBMITTED TEXT	31 WORDS	83% MATCHING TEXT	31 WORDS
<p>had withdrawn his consent to become a director before the issue of the prospectus and it was issued without his authority or consent. (ii) The issue was made without his knowledge or consent. (</p>		<p>had. withdrawn his consent ' to' become 'a director before the issue of the prospectus and that it was issued without his' authority or consent; (ii) the-prospectus was issued without his authority or consent;</p>		
<p>W https://www.bdu.ac.in/cde/SLM/SLM_FULL/MBA/MBA%20III%20Semester/Legal%20Aspects%20of%20Business.P ...</p>				
292/685	SUBMITTED TEXT	19 WORDS	62% MATCHING TEXT	19 WORDS
<p>is not bound by the preliminary contracts even where it takes the benefit of work done on its behalf. The</p>				
<p>SA 3 B.COM _ IV SEM _ 22DCBGL43 Company Law.pdf (D143464602)</p>				
293/685	SUBMITTED TEXT	46 WORDS	76% MATCHING TEXT	46 WORDS
<p>after the issue of the prospectus and before allotment and public notice was given. 63 (iv) He had reasonable ground to believe that the statements were true and he believed them to be true. (v) The statement was correct and fair summary or copy of an expert's report or</p>		<p>after the issue of the prospectus but before allotment and public notice was given; iv) he had reasonable ground to believe that the statements were true and believed them to be true; v) the statement was correct and fair summary or copy of an expert's report; or (</p>		
<p>W https://ebooks.lpude.in/management/mba/term_2/DMGT407_CORPORATE_AND_BUSINESS_LAWS.pdf</p>				

294/685	SUBMITTED TEXT	30 WORDS	85% MATCHING TEXT	30 WORDS
<p>Every person who has authorised the issue of a prospectus containing untrue statement shall be punishable with imprisonment which may extend to two years or with fine extending to Rs. 50,000/-(with</p> <p>W https://pdfcoffee.com/blaw-pdf-free.html</p>		<p>Every person who authorized the issue of a prospectus containing untrue statement shall be punishable with imprisonment which may extend to : 17 : two years or with fine which extend to Rs.5,000 with</p>		
295/685	SUBMITTED TEXT	28 WORDS	83% MATCHING TEXT	28 WORDS
<p>statement was immaterial (2) he had reasonable ground to believe, upto the time of issue of prospectus that the statement was true. 4.15 Statement in lieu of Prospectus (Sec 70) A</p> <p>W https://www.ddegjust.ac.in/studymaterial/bba/bba-201.pdf</p>		<p>statement was immaterial; or • he had a reasonable ground to believe and did upto time of the issue of prospectus that the statement was true [Section 63(STATEMENT IN LIEU OF PROSPECTUS (SECTION 70) A</p>		
296/685	SUBMITTED TEXT	17 WORDS	73% MATCHING TEXT	17 WORDS
<p>allotment of shares or debenture deliver to the Registrar for registration a statement in lieu of prospectus.</p> <p>W http://www.fimt-ggsipu.org/study/bba210.pdf</p>		<p>allotment of shares or debentures, this has delivered to the Registrar for registration a 'statement in lieu of prospectus'</p>		
297/685	SUBMITTED TEXT	27 WORDS	66% MATCHING TEXT	27 WORDS
<p>shall be punished by imprisonment which may extend to 2 years or with fine which may extend to Rs. 50,000 (By Amendment Act 2000) or with both. 4.16</p> <p>W https://pdfcoffee.com/blaw-pdf-free.html</p>		<p>shall be punishable with imprisonment which may extend to : 17 : two years or with fine which may extend to Rs.5,000 with both.</p>		
298/685	SUBMITTED TEXT	27 WORDS	81% MATCHING TEXT	27 WORDS
<p>not be less than 5% of the nominal value of the share. All moneys received from applicants must be kept deposited in a scheduled bank until the certificate</p> <p>W https://pdfcoffee.com/blaw-pdf-free.html</p>		<p>not be less than 5 per cent of the nominal value of the shares (All moneys received from applicants for shares must be deposited and kept deposited in a scheduled bank (i) until the certificate</p>		
299/685	SUBMITTED TEXT	19 WORDS	72% MATCHING TEXT	19 WORDS
<p>shall be jointly and severally liable to repay it with interest @6% p.a. from the expiry of the 130th day. (</p> <p>W https://www.bdu.ac.in/cde/SLM/SLM_FULL/MBA/MBA%20III%20Semester/Legal%20Aspects%20of%20Business.P ...</p>		<p>shall be jointly and severally liable to repay it with interest not less than 15% p.a. depending upon the period of delay from expiry the 8th day.</p>		

300/685	SUBMITTED TEXT	11 WORDS	87% MATCHING TEXT	11 WORDS
<p>to the Registrar for a registration a statement in lieu of prospectus. (</p> <p>W http://www.fimt-ggsipu.org/study/bba210.pdf</p>		<p>to the Registrar for registration a 'statement in lieu of prospectus'</p>		
301/685	SUBMITTED TEXT	40 WORDS	67% MATCHING TEXT	40 WORDS
<p>is voidable at the instance of the applicant : (a) Within 2 months of the date of holding a statutory meeting. (b) (i) If the company is not required to hold a statutory meeting. (ii) Where the allotment is made after the</p> <p>W https://pdfcoffee.com/blaw-pdf-free.html</p>		<p>is voidable at the option of the applicant. Such an option must be exercised : : 15 : (a) within 2 months of the holding of statutory meeting; or; (b) where the company is not required to hold a statutory meeting or where the allotment is made after the</p>		
302/685	SUBMITTED TEXT	27 WORDS	55% MATCHING TEXT	27 WORDS
<p>prospectus states that application 65 will be made for permission for shares or debentures to be dealt in on a Stock Exchange, any allotment made would be void if. (</p> <p>W https://www.ddegjust.ac.in/studymaterial/bba/bba-201.pdf</p>		<p>prospectus states that an has been, will be, made for permission for the shares or debentures offered thereby to be dealt in one or recognised stock exchanges, the made under such prospectus be void : 8 (i) if</p>		
303/685	SUBMITTED TEXT	35 WORDS	72% MATCHING TEXT	35 WORDS
<p>The permission has not been applied for before 10th day after the issue of the prospectus. (b) The permission has not been granted before the expiry of 10 weeks from the date of closing of subscription</p> <p>W https://www.ddegjust.ac.in/studymaterial/bba/bba-201.pdf</p>		<p>the permission has not been applied for before the 10th day after the issue of the prospectus, or (ii) permission has not been granted by the stock exchange, as the case may be, before the expiry of 10 weeks from the date of the closing of the subscription</p>		
304/685	SUBMITTED TEXT	13 WORDS	96% MATCHING TEXT	13 WORDS
<p>where permission has not been applied for or has not been granted, the</p> <p>W https://www.ddegjust.ac.in/studymaterial/bba/bba-201.pdf</p>		<p>Where the permission has not been applied for or has not been granted, the</p>		
305/685	SUBMITTED TEXT	18 WORDS	80% MATCHING TEXT	18 WORDS
<p>the number and nominal amount of the shares, the names, addresses and occupation's of the allottees and the amount</p> <p>W https://www.bdu.ac.in/cde/SLM/SLM_FULL/MBA/MBA%20III%20Semester/Legal%20Aspects%20of%20Business.P ...</p>		<p>The number and nominal amount of the shares allotted; (b) The names, addresses and occupations of the allottees and the amount,</p>		

306/685	SUBMITTED TEXT	22 WORDS	50% MATCHING TEXT	22 WORDS
<p>that the aforesaid conditions have been complied with. Where a public company has a share capital and has not issued a prospectus</p> <p>W https://www.ddegjust.ac.in/studymaterial/bba/bba-201.pdf</p>		<p>that the above have been complied with [Section 149(1)]. 2. Public Company Not Issuing a Prospectus Where a company having a share capital has not issued a prospectus</p>		
307/685	SUBMITTED TEXT	15 WORDS	89% MATCHING TEXT	15 WORDS
<p>Statement in lieu of prospectus has been filed with the Registrar. 66 (ii) Every director</p> <p>W https://pdfcoffee.com/blaw-pdf-free.html</p>		<p>statement in lieu of prospectus has been filed with the Registrar, b) every director</p>		
308/685	SUBMITTED TEXT	38 WORDS	97% MATCHING TEXT	38 WORDS
<p>A) prohibits a public company from commencing any business other than that covered by the main objects of the company unless it has by a special resolution approved the commencement of such business and a duly verified declaration by</p> <p>W https://cacwacs.files.wordpress.com/2014/08/law-vol-1.pdf</p>		<p>A) prohibits a public limited company from commencing any business other than that covered by the main objects of the company, unless it has by a special resolution, approved of the commencement of such business and a duly verified declaration by</p>		
309/685	SUBMITTED TEXT	15 WORDS	85% MATCHING TEXT	15 WORDS
<p>or secretary in the prescribed form that such a resolution, which has been passed</p> <p>W https://cacwacs.files.wordpress.com/2014/08/law-vol-1.pdf</p>		<p>or its Secretary in the prescribed form that such a resolution has been passed</p>		
310/685	SUBMITTED TEXT	27 WORDS	83% MATCHING TEXT	27 WORDS
<p>An ordinary resolution would be sufficient if the Central Govt. on an application by the Board of Directors allows the company to commence such business [Sec. 149(2B)]. 4.19</p> <p>W https://cacwacs.files.wordpress.com/2014/08/law-vol-1.pdf</p>		<p>An ordinary resolution would be sufficient if, in the Central Government, on an application by the Board of Directors, allows the company to commence such a Section 149(2B)]. (</p>		
311/685	SUBMITTED TEXT	50 WORDS	36% MATCHING TEXT	50 WORDS
<p>share capital viz. (1) Preference Share Capital : That part of capital which carries (i) Preferential right as to payment of dividend during lifetime of company (ii) Preferential right as to the return of capital in the event of winding-up. (2) Equity Share Capital : All share capital other than preference share capital. 4.20</p> <p>W https://pdfcoffee.com/blaw-pdf-free.html</p>		<p>share capital. (a) Preference share capital. It is that part of share capital which carries a preferential right as to the payment of the dividend at a fixed rate and also a preferential right to the repayment of the paid-up capital. (b) Equity share capital. It means all share capital which is not preference share capital.</p>		

312/685	SUBMITTED TEXT	26 WORDS	71% MATCHING TEXT	26 WORDS
<p>No allotment can be made until the beginning of the 5th day after the publication of the prospectus or such time as may be specified in the prospectus. (</p> <p>SA COMPANY LAW - Dr.C.Sahila.pdf (D142738127)</p>				
313/685	SUBMITTED TEXT	13 WORDS	100% MATCHING TEXT	13 WORDS
<p>in proportion to his share of the paid-up equity capital of the Company.</p> <p>W https://www.ddegjust.ac.in/studymaterial/bba/bba-201.pdf</p>				
314/685	SUBMITTED TEXT	15 WORDS	62% MATCHING TEXT	15 WORDS
<p>to preference capital and resolutions for winding up of the company or reduction of share capital.</p> <p>W https://cacwacs.files.wordpress.com/2014/08/law-vol-1.pdf</p>				
315/685	SUBMITTED TEXT	49 WORDS	82% MATCHING TEXT	49 WORDS
<p>of the Act, rights attached to shares of any class may be varied with the consent in writing of the holders of not less than 3/4ths of the issued shares or with the sanction 67 of a special resolution passed at a separate meeting of the holders of issued shares.</p> <p>W https://pdfcoffee.com/blaw-pdf-free.html</p>				
316/685	SUBMITTED TEXT	16 WORDS	79% MATCHING TEXT	16 WORDS
<p>If such variation is prohibited by the terms of issue of shares, variation will not be possible.</p> <p>W https://cacwacs.files.wordpress.com/2014/08/law-vol-1.pdf</p>				
317/685	SUBMITTED TEXT	31 WORDS	40% MATCHING TEXT	31 WORDS
<p>passing of the resolution apply to the court to get the variation cancelled. Where such an application has been made, the variation will be effective only when confirmed by the Court and the</p> <p>W https://cacwacs.files.wordpress.com/2014/08/law-vol-1.pdf</p>				

318/685	SUBMITTED TEXT	28 WORDS	69% MATCHING TEXT	28 WORDS
<p>by issuing fresh shares. ii) Consolidate and divide all or any part of its share capital into shares of larger amount. iii) Convert fully paid up shares into stock</p>		<p>by issuing fresh shares; 2. consolidate and divide all or any of its share capital into shares of larger amount than its existing shares; 3. to convert all or any of its fully paid-up shares into stock</p>		
<p>W https://ebooks.lpude.in/management/mba/term_2/DMGT407_CORPORATE_AND_BUSINESS_LAWS.pdf</p>				
319/685	SUBMITTED TEXT	32 WORDS	81% MATCHING TEXT	32 WORDS
<p>its shares or any of them into shares of smaller amount. v) Cancel shares, which have not been taken and diminish the amount of its share capital by the amount of shares so</p>		<p>its shares or any of them into shares of smaller amount; (e) cancelling shares which have not been taken and diminishing the amount of its share capital by the amount of the shares so</p>		
<p>W https://cacwacs.files.wordpress.com/2014/08/law-vol-1.pdf</p>				
320/685	SUBMITTED TEXT	24 WORDS	76% MATCHING TEXT	24 WORDS
<p>The voting rights of preference shareholders must be in the same proportion as the capital paid up in respect of preference shares bears to the</p>				
<p>SA EBSL605 (1).docx (D142458594)</p>				
321/685	SUBMITTED TEXT	10 WORDS	100% MATCHING TEXT	10 WORDS
<p>a special resolution in the general meeting of the company.</p>				
<p>SA 3 B.COM _ IV SEM _ 22DCBGL43 Company Law.pdf (D143464602)</p>				
322/685	SUBMITTED TEXT	42 WORDS	54% MATCHING TEXT	42 WORDS
<p>any of the following reasons : i) Extinguish or reduce the liability of shareholders regarding uncalled shares. ii) Cancel paid up share capital lost or un-represented by available assets. iii) Pay off any paid-up share capital in excess of the wants of the company.</p>		<p>any one of the following ways : Extinguish or reduce the liability on any of its shares in respect of share capital not up. Cancel any paid-up share capital which is lost or is unrepresented by the available assets. Pay-off any paid-up share capital which is in excess of the wants of the company.</p>		
<p>W https://josephscollege.ac.in/lms/uploads/pdf/material/LEGAL_ASPECTS_OF_BUSINESS.pdf</p>				
323/685	SUBMITTED TEXT	38 WORDS	89% MATCHING TEXT	38 WORDS
<p>to increased the subscribed capital by the allotment of further shares after the expiry of 2 years from the formation of the company or after the expiry of 1 year from the first allotment of shares whichever is earlier,</p>		<p>to increase the subscribed capital of a company by the allotment of further shares after the expiry of two years from the formation of the company, or after the expiry of one year from the first allotment of shares whichever is earlier.</p>		
<p>W https://pdfcoffee.com/blaw-pdf-free.html</p>				
324/685	SUBMITTED TEXT	12 WORDS	100% MATCHING TEXT	12 WORDS
<p>to the capital paid up on those shares at that date</p>		<p>to the capital paid up on those shares at that date. (</p>		
<p>W https://pdfcoffee.com/blaw-pdf-free.html</p>				

325/685	SUBMITTED TEXT	12 WORDS	95% MATCHING TEXT	12 WORDS
<p>must be made by notice specifying the number of shares offered. The</p> <p>W https://pdfcoffee.com/blaw-pdf-free.html</p>		<p>must be made by notice specifying the number of shares offered the</p>		
326/685	SUBMITTED TEXT	15 WORDS	78% MATCHING TEXT	15 WORDS
<p>The notice of alteration must be given to the Registrar within 30 days of the</p> <p>SA 346E1250_Legal Environment of Business.pdf (D165203702)</p>				
327/685	SUBMITTED TEXT	39 WORDS	96% MATCHING TEXT	39 WORDS
<p>After expiry of the time specified in the notice or on receipt of earlier intimation from the person to whom such notice is given that he declines to accept the shares offered, the Board of Directors may dispose them in</p> <p>W https://pdfcoffee.com/blaw-pdf-free.html</p>		<p>After the expiry of the time specified in the notice aforesaid or on receipt of earlier intimation from the person to whom such notice is given that he declines to accept the : 36 : shares offered, the board of directors may dispose of them in</p>		
328/685	SUBMITTED TEXT	17 WORDS	58% MATCHING TEXT	17 WORDS
<p>The new shares may be offered to any person if (a) A special resolution to that effect</p> <p>W https://pdfcoffee.com/blaw-pdf-free.html</p>		<p>The new shares of a company may be offered to outsiders or any person, (including the equity shareholders) : (a) where a special resolution is passed to that effect</p>		
329/685	SUBMITTED TEXT	16 WORDS	71% MATCHING TEXT	16 WORDS
<p>is passed by the company in the general meeting. (b) An ordinary resolution to that effect</p> <p>W https://pdfcoffee.com/blaw-pdf-free.html</p>		<p>is passed, if the company at the general meeting passes an ordinary resolution to that effect</p>		
330/685	SUBMITTED TEXT	11 WORDS	100% MATCHING TEXT	11 WORDS
<p>days from the date of the offer within which the offer</p> <p>SA EBSL605 (1).docx (D142458880)</p>				
331/685	SUBMITTED TEXT	29 WORDS	87% MATCHING TEXT	29 WORDS
<p>a company issues shares at a premium for cash or otherwise, a sum equal to the value of the premium on those shares must be 69 transferred to an account</p> <p>W https://cacwacs.files.wordpress.com/2014/08/law-vol-1.pdf</p>		<p>a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of value of the premium on those securities must be transferred to an account</p>		

332/685	SUBMITTED TEXT	17 WORDS	81% MATCHING TEXT	17 WORDS
<p>Issue of Shares at a Premium (Sec. 78) A company may issue shares at a premium. When</p> <p>SA 3 B.COM _ IV SEM _ 22DCBGL43 Company Law.pdf (D143464602)</p>				
333/685	SUBMITTED TEXT	27 WORDS	75% MATCHING TEXT	27 WORDS
<p>issue of shares or debentures of the company. iv) In providing for the premium payable on the redemption of redeemable preference shares or debentures. 4.25.1 Issue of Shares at a</p> <p>issue of shares or debentures of the company; (iv) to for the payment of premium payable on the redemption of redeemable preference shares or of any debentures of company. The issue shares at a</p> <p>W https://ebooks.lpude.in/management/mba/term_2/DMGT407_CORPORATE_AND_BUSINESS_LAWS.pdf</p>				
334/685	SUBMITTED TEXT	11 WORDS	100% MATCHING TEXT	11 WORDS
<p>The shares to be issued at a discount must be</p> <p>The shares to be issued at a discount must be</p> <p>W https://ebooks.lpude.in/management/mba/term_2/DMGT407_CORPORATE_AND_BUSINESS_LAWS.pdf</p>				
335/685	SUBMITTED TEXT	39 WORDS	45% MATCHING TEXT	39 WORDS
<p>The Share Premium Account may be utilized by the Company :</p> <p>i) In issuing fully paid-up bonus shares to the members of the company. ii) In writing off preliminary expenses. iii) In writing off expenses or commission paid or discount allowed on</p> <p>SA EBSL605 (1).docx (D142458880)</p>				
336/685	SUBMITTED TEXT	17 WORDS	86% MATCHING TEXT	17 WORDS
<p>The shares to be issued at a discount must be issued within 2 months from the</p> <p>The shares to be issued at a discount must be issued within two months of the</p> <p>W https://ebooks.lpude.in/management/mba/term_2/DMGT407_CORPORATE_AND_BUSINESS_LAWS.pdf</p>				
337/685	SUBMITTED TEXT	50 WORDS	37% MATCHING TEXT	50 WORDS
<p>if the following conditions are fulfilled : 1) The payment must be authorized by the articles. 2) The commission must not exceed 5% of the issue price of the shares and 2.5% of the issue price of the debentures or the amount authorized by the articles. 3) The amount or rate of commission</p> <p>if the following conditions are present : 1. The payment of the commission must be authorized by the articles of association. : 20 : 2. The underwriting commission paid or agreed to be paid shall not exceed 5 per cent of the issue price of shares. In case of debentures, it shall not exceed 2-1/2 per cent of the issue price. The amount of commission shall also not exceed the amount authorized by the articles of association. The percentage of commission</p> <p>W https://pdfcoffee.com/blaw-pdf-free.html</p>				

338/685	SUBMITTED TEXT	27 WORDS	100% MATCHING TEXT	27 WORDS
disclosed in the prospectus or statement in lieu of prospectus. 70 4) A copy of the contract for the payment of the commission must be delivered to the Registrar		disclosed in the prospectus or statement in lieu of prospectus. 5. A copy of the contract for the payment of the commission must be delivered to the Registrar		
W https://pdfcoffee.com/blaw-pdf-free.html				
339/685	SUBMITTED TEXT	11 WORDS	87% MATCHING TEXT	11 WORDS
shares or debentures which are not offered to the public for subscription.		shares or debentures which are offered to the public for subscription.		
W https://cacwacs.files.wordpress.com/2014/08/law-vol-1.pdf				
340/685	SUBMITTED TEXT	19 WORDS	63% MATCHING TEXT	19 WORDS
In case of default, the company and its officers shall be punishable with fine which may extend to Rupees		In case of default, the company and every officer of the company who is in shall be punishable with fine which may extend to rupees. 11.3.11		
W https://ebooks.lpude.in/management/mba/term_2/DMGT407_CORPORATE_AND_BUSINESS_LAWS.pdf				
341/685	SUBMITTED TEXT	26 WORDS	67% MATCHING TEXT	26 WORDS
No public company and no private company being a subsidiary of a public company can provide whether directly or indirectly any financial assistance to any person		no public company and no private company which is a subsidiary of a public company can directly or indirectly (through loans or guarantee) provide financial assistance to any person		
W https://ebooks.lpude.in/management/mba/term_2/DMGT407_CORPORATE_AND_BUSINESS_LAWS.pdf				
342/685	SUBMITTED TEXT	16 WORDS	79% MATCHING TEXT	16 WORDS
by a resolution passed at the general meeting of the company and sanctioned by the Central Government (
SA Ravinder Kumar - Legal Aspects Of Business, 4Ed-Cengage India (2016).pdf (D142409269)				
343/685	SUBMITTED TEXT	13 WORDS	84% MATCHING TEXT	13 WORDS
for the purchase of fully paid shares in the company by trustees for		for the purchase of fully paid-up shares in the company to be held by trustees for		
W https://ebooks.lpude.in/management/mba/term_2/DMGT407_CORPORATE_AND_BUSINESS_LAWS.pdf				
344/685	SUBMITTED TEXT	15 WORDS	76% MATCHING TEXT	15 WORDS
A Company may purchase its own shares from : 1) Out of its free reserves. 2)		a Company may purchase its own-shares or other specified securities out of i) Its free reserves;		
W https://www.bdu.ac.in/cde/SLM/SLM_FULL/MBA/MBA%20III%20Semester/Legal%20Aspects%20of%20Business.P...				

345/685	SUBMITTED TEXT	19 WORDS	78% MATCHING TEXT	19 WORDS
<p>No Company shall purchase its own shares unless : a) Buy back is authorized by its Articles. b) Special resolution</p>		<p>No company shall purchase its own shares or other specified securities under sub-section. (1) unless – a) The buy-back is authorised by its articles; b) a special resolution</p>		
<p>W https://www.bdu.ac.in/cde/SLM/SLM_FULL/MBA/MBA%20III%20Semester/Legal%20Aspects%20of%20Business.P ...</p>				
346/685	SUBMITTED TEXT	12 WORDS	95% MATCHING TEXT	12 WORDS
<p>exceed 25% of total paid-up capital and free reserves of the company</p>		<p>exceed 25% the total paid-up capital and free reserves of the company;</p>		
<p>W https://ebooks.lpude.in/management/mba/term_2/DMGT407_CORPORATE_AND_BUSINESS_LAWS.pdf</p>				
347/685	SUBMITTED TEXT	16 WORDS	90% MATCHING TEXT	16 WORDS
<p>Ratio of debt owed by the Company not more than twice capital and free reserves after</p>		<p>ratio of the debt owed by the company is not more than twice the capital and free reserves after</p>		
<p>W https://cacwacs.files.wordpress.com/2014/08/law-vol-1.pdf</p>				
348/685	SUBMITTED TEXT	15 WORDS	75% MATCHING TEXT	15 WORDS
<p>by a banking company in the ordinary course of business. 2) The provision of money</p>				
<p>SA Ravinder Kumar - Legal Aspects Of Business, 4Ed-Cengage India (2016).pdf (D142409269)</p>				
349/685	SUBMITTED TEXT	23 WORDS	87% MATCHING TEXT	23 WORDS
<p>Preference Shares (Sec. 80) A company limited by shares may if so authorized by its Articles issue preference shares, which are to be redeemed</p>				
<p>SA EBSL605 (1).docx (D142458880)</p>				
350/685	SUBMITTED TEXT	22 WORDS	90% MATCHING TEXT	22 WORDS
<p>out of profits, a sum equivalent to the nominal value of the shares redeemed must be transferred to capital redemption reserve account</p>		<p>out of profits, a sum equal to the nominal value of the shares redeemed must be transferred to the 'capital redemption reserve account'.</p>		
<p>W http://www.fimt-ggsipu.org/study/bba210.pdf</p>				
351/685	SUBMITTED TEXT	48 WORDS	65% MATCHING TEXT	48 WORDS
<p>be redeemed only out of profits of the company, which would otherwise be available for dividend, or out of the proceeds of a fresh issue of shares made for the purpose of redemption. b) The shares to be redeemed must be fully paid up. c) Any premium paid on redemption must</p>				
<p>SA NOTES.docx (D143726320)</p>				

352/685	SUBMITTED TEXT	29 WORDS	82% MATCHING TEXT	29 WORDS
<p>Amendment Act 2002). No company limited by shares shall issue any preference share which is irredeemable or is redeemable after a period of ten years from the date of issue</p> <p>W https://cacwacs.files.wordpress.com/2014/08/law-vol-1.pdf</p>		<p>Amendment) Act, 1996, no company limited by shares, shall issue any preference shares which is irredeemable or is redeemable after the expiry of a period of twenty years from the date of its issue. 8</p>		
353/685	SUBMITTED TEXT	22 WORDS	58% MATCHING TEXT	22 WORDS
<p>a demand made by the Company to its shareholders to pay in part or in full the balance remaining unpaid on each share.</p> <p>W https://pdfcoffee.com/blaw-pdf-free.html</p>		<p>a demand by the company on its shareholders to pay whole or part of the balance remaining unpaid on each share.</p>		
354/685	SUBMITTED TEXT	17 WORDS	61% MATCHING TEXT	17 WORDS
<p>may be applied by the company paid-up un-issued shares to be issued to members as fully paid bonus shares.</p> <p>SA Company Law.doc (D133844449)</p>				
355/685	SUBMITTED TEXT	12 WORDS	95% MATCHING TEXT	12 WORDS
<p>Calls shall be made on uniform basis on all shares falling</p> <p>SA EBSL605 (1).docx (D142458880)</p>				
356/685	SUBMITTED TEXT	10 WORDS	100% MATCHING TEXT	10 WORDS
<p>Share Certificate and Share Warrant A share certificate is a</p> <p>W https://cacwacs.files.wordpress.com/2014/08/law-vol-1.pdf</p>		<p>Share certificate and share warrant. 1. A share certificate is a</p>		
357/685	SUBMITTED TEXT	20 WORDS	60% MATCHING TEXT	20 WORDS
<p>the Act or in Table A for surrender of shares. But the 73 articles may provide for the acceptance of</p> <p>SA Company Law.doc (D133844449)</p>				
358/685	SUBMITTED TEXT	23 WORDS	85% MATCHING TEXT	23 WORDS
<p>within 3 months of the allotment of shares or within 2 months after the application for registration of the transfer of shares. The</p> <p>W https://cacwacs.files.wordpress.com/2014/08/law-vol-1.pdf</p>		<p>within three months of the allotment of shares, or (b) within two months after the application for registration of the transfer of any shares. For the</p>		

359/685	SUBMITTED TEXT	12 WORDS	100% MATCHING TEXT	12 WORDS
liable to fine upto Rs. 500/- for every day of default (Sec. 113).		liable to fine upto Rs. 100 for every day of default [Sec. 493]. 27 5.		
W https://www.ddegjust.ac.in/studymaterial/bba/bba-201.pdf				
360/685	SUBMITTED TEXT	16 WORDS	87% MATCHING TEXT	16 WORDS
share certificate is a prima facie evidence of the title of the member to such shares [share certificate be a prima facie evidence of the title of the member to such shares.		
W https://pdfcoffee.com/blaw-pdf-free.html				
361/685	SUBMITTED TEXT	29 WORDS	56% MATCHING TEXT	29 WORDS
or a duplicate issued if it (a) is proved to have been lost or destroyed (b) having been defaced or multi lated or tom is surrendered to the company [or issue a 21 duplicate certificate if is proved to have been lost or destroyed having been defaced, mutilated or torn; is surrendered to the company.		
W https://www.ddegjust.ac.in/studymaterial/bba/bba-201.pdf				
362/685	SUBMITTED TEXT	29 WORDS	63% MATCHING TEXT	29 WORDS
A share warrant is a document issued by a company stating that its bearer is entitled to the shares specified therein. It is a substitute for the share certificate.		A share warrant is a document which shows that the bearer of the warrant is entitled to the shares specified therein. It is a substitute for the share certificate.		
W https://pdfcoffee.com/blaw-pdf-free.html				
363/685	SUBMITTED TEXT	14 WORDS	75% MATCHING TEXT	14 WORDS
Shares may be transferred by delivery of the warrant (Sec. 114) When a share warrant		shares may be transferred by delivery of the warrant. On issue of a share warrant,		
W https://pdfcoffee.com/blaw-pdf-free.html				
364/685	SUBMITTED TEXT	16 WORDS	100% MATCHING TEXT	16 WORDS
issued under the common seal of the company specifying the number of shares held by any				
SA Ravinder Kumar - Legal Aspects Of Business, 4Ed-Cengage India (2016).pdf (D142409269)				
365/685	SUBMITTED TEXT	18 WORDS	97% MATCHING TEXT	18 WORDS
the memorandum of the company. 2. Every other person who agrees in writing to become a member of				
SA Ravinder Kumar - Legal Aspects Of Business, 4Ed-Cengage India (2016).pdf (D142409269)				

366/685	SUBMITTED TEXT	19 WORDS	55% MATCHING TEXT	19 WORDS
<p>By rescission of the contract to purchase shares on the ground of misrepresentation in the prospectus. 7. By winding up. 8.</p> <p>W https://www.ddegjust.ac.in/studymaterial/bba/bba-201.pdf</p>		<p>by his rescission of contract to take shares on the ground of misrepresentation or fraud. by the winding-up</p>		
367/685	SUBMITTED TEXT	28 WORDS	76% MATCHING TEXT	28 WORDS
<p>Register of members. U/s 154, a company may after giving not less than 7 days notice by advertisement in local newspaper close the Register of members for a period</p> <p>W https://www.ddegjust.ac.in/studymaterial/bba/bba-201.pdf</p>		<p>Register of Members : As per Sec. 154, a company may, after giving not less than seven days' previous notice by advertisement in a local daily, close the register of members, for a period</p>		
368/685	SUBMITTED TEXT	12 WORDS	100% MATCHING TEXT	12 WORDS
<p>shall be liable to a fine, which may extend to Rs, 5000/- (</p> <p>W https://www.ddegjust.ac.in/studymaterial/bba/bba-201.pdf</p>		<p>shall be liable to a fine which may extend to Rs. 500.</p>		
369/685	SUBMITTED TEXT	16 WORDS	67% MATCHING TEXT	16 WORDS
<p>company and whose name is entered in its register of members. A person may become member of</p> <p>SA Company Law.doc (D133844449)</p>				
370/685	SUBMITTED TEXT	19 WORDS	65% MATCHING TEXT	19 WORDS
<p>the company the report should be certified by at least two directors one of whom must be a Managing Director.</p> <p>W https://www.ddegjust.ac.in/studymaterial/bba/bba-201.pdf</p>		<p>the meeting. statutory report required to be certified as correct by at least two directors of the company, one of whom must be a Managing Director,</p>		
371/685	SUBMITTED TEXT	78 WORDS	43% MATCHING TEXT	78 WORDS
<p>a date within 7 days of the date of report. (iv) Names, addresses, occupation of directors of the company and of its auditors; and also, if there be any, of its manager and secretary, since the date of incorporation of the company [Company (Amendment) Act, 2000]. (v) Particulars of contract to be submitted to members for approval. (vi) Extent to which underwriting contract has not been carried out. (vii) Arrears due on calls from directors, managers etc. (viii) Particulars of commission/brokerage paid or to be paid</p> <p>W https://www.ddegjust.ac.in/studymaterial/bba/bba-201.pdf</p>		<p>a date within 7 days of the date of the report. address and occupations of the directors of the company and of its auditors and also if there be any, of its manager and secretary. (e) The particulars of any contract which , or the modification or the proposed modification which is to be submitted to the meeting for its approval. (f) extent to which each underwriting contract (if any) has not been carried out and the reason therefor. (g) The arrears due on cash from every director from the manager. (h) Particulars of any commission or brokerage paid or to be paid</p>		

372/685	SUBMITTED TEXT	19 WORDS	57% MATCHING TEXT	19 WORDS
<p>In case of default, every director of officer of the company is punishable with fine which may extend to</p>		<p>In case of default, the company and officer of the company who is in default shall be punishable with fine which may extend up to ` 500</p>		
<p>W https://ebooks.lpude.in/management/mba/term_2/DMGT407_CORPORATE_AND_BUSINESS_LAWS.pdf</p>				
373/685	SUBMITTED TEXT	13 WORDS	87% MATCHING TEXT	13 WORDS
<p>the First Annual General Meeting of the Company is to be held</p>		<p>the next annual general meeting of the company is to be held.</p>		
<p>W https://pdfcoffee.com/blaw-pdf-free.html</p>				
374/685	SUBMITTED TEXT	15 WORDS	100% MATCHING TEXT	15 WORDS
<p>within a period of not more than 18 months from the date of its incorporation.</p>		<p>within a period of not more than 18 months from the date of its incorporation</p>		
<p>W https://www.ddegjust.ac.in/studymaterial/bba/bba-201.pdf</p>				
375/685	SUBMITTED TEXT	12 WORDS	95% MATCHING TEXT	12 WORDS
<p>not more than 6 months from the date of commencement of business.</p>				
<p>SA MBA SEM-I Business Law.pdf (D142212465)</p>				
376/685	SUBMITTED TEXT	18 WORDS	82% MATCHING TEXT	18 WORDS
<p>Not more than 15 months shall elapse between the date of one annual general meeting and the next.</p>				
<p>SA EBSL605 (1).docx (D142458880)</p>				
377/685	SUBMITTED TEXT	30 WORDS	75% MATCHING TEXT	30 WORDS
<p>at the registered office of the company or some other place within the town where the registered office is situated. The Central Govt. may exempt any class of companies from the</p>		<p>at the registered office of the company or at some other place within the city, town or village in which the registered office of the company situated [Section 166(2)]. Central Government may exempt any class of companies from the</p>		
<p>W https://www.ddegjust.ac.in/studymaterial/bba/bba-201.pdf</p>				
378/685	SUBMITTED TEXT	17 WORDS	96% MATCHING TEXT	17 WORDS
<p>by a period not exceeding 3 months. Every annual general meeting shall be called during business hours</p>				
<p>SA EBSL605 (1).docx (D142458880)</p>				

379/685	SUBMITTED TEXT	13 WORDS	83% MATCHING TEXT	13 WORDS
<p>the Company Law Board may direct the calling of such meeting on</p> <p>W https://ebooks.lpude.in/management/mba/term_2/DMGT407_CORPORATE_AND_BUSINESS_LAWS.pdf</p>		<p>the Company Law Board may direct the calling of the meeting: (a) on</p>		
380/685	SUBMITTED TEXT	24 WORDS	58% MATCHING TEXT	24 WORDS
<p>The requisition must set the matters to be considered at the meeting. 3. The requisition must be deposited at the Registered Office of the Company.</p> <p>W https://www.bdu.ac.in/cde/SLM/SLM_FULL/MBA/MBA%20III%20Semester/Legal%20Aspects%20of%20Business.P ...</p>		<p>the requisition setting out the matters to be considered at the meeting and the requisition at the registered office the company.</p>		
381/685	SUBMITTED TEXT	18 WORDS	83% MATCHING TEXT	18 WORDS
<p>the company either of its own motion or on the application of any director or of any member</p> <p>W https://pdfcoffee.com/blaw-pdf-free.html</p>		<p>the Company Law Board either of its own motion or on the application of any director of the company, or of any member</p>		
382/685	SUBMITTED TEXT	15 WORDS	80% MATCHING TEXT	15 WORDS
<p>by the articles of the company or by a resolution passed in one general meeting. 77</p> <p>SA NOTES.docx (D143726320)</p>				
383/685	SUBMITTED TEXT	19 WORDS	88% MATCHING TEXT	19 WORDS
<p>holding not less than 95% of such part of paid up share capital as gives a right to vote.</p> <p>W https://www.ddegjust.ac.in/studymaterial/bba/bba-201.pdf</p>		<p>holding not less than 95% of such part of the paid up share capital of the company as gives a right to vote</p>		
384/685	SUBMITTED TEXT	41 WORDS	44% MATCHING TEXT	41 WORDS
<p>of accounts and balance sheet; declaration of dividend; appointment of directors and appointment and fixation of the remunerations of auditors. In case of an annual general meeting, any business other than general business and in case of any other meeting, all business is deemed special.</p> <p>W https://www.bdu.ac.in/cde/SLM/SLM_FULL/MBA/MBA%20III%20Semester/Legal%20Aspects%20of%20Business.P ...</p>		<p>of Directors and auditors; b) declaration of a dividend; c) appointment of a directors in place of those retiring; and d) appointment of auditors and fixing of their remuneration, Special business In, the case .of an AGM any business other than the ordinary business and in the case of any other meeting all business is deemed special</p>		
385/685	SUBMITTED TEXT	22 WORDS	57% MATCHING TEXT	22 WORDS
<p>the meeting. Meetings may be called with a shorter notice under the following circumstances : 78 (i) In case of annual general meeting</p> <p>SA NOTES.docx (D143726320)</p>				

386/685	SUBMITTED TEXT	23 WORDS	75% MATCHING TEXT	23 WORDS
<p>Where any item of special business relates or affects any other company, the extent of shareholding interest in that company of every director/manager</p> <p>SA EBSL605 (1).docx (D142458594)</p>				
387/685	SUBMITTED TEXT	18 WORDS	80% MATCHING TEXT	18 WORDS
<p>Quorum means the minimum number of members required to be present in order to constitute a meeting and</p> <p>W https://cacwacs.files.wordpress.com/2014/08/law-vol-1.pdf</p> <p>Quorum means the minimum number of members that must be personally present in order to constitute a meeting and</p>				
388/685	SUBMITTED TEXT	25 WORDS	66% MATCHING TEXT	25 WORDS
<p>In case of public companies other than a public company, which has become such by virtue of Sec 43 A, 5 members must be personally present</p> <p>W https://www.ddegjust.ac.in/studymaterial/bba/bba-201.pdf</p> <p>in the case public company (other than a public company which has become such by virtue of Section 43-A) and two members personally present</p>				
389/685	SUBMITTED TEXT	19 WORDS	63% MATCHING TEXT	19 WORDS
<p>such interest is not less than 20% of paid up share capital of that company. 3. Where any item of</p> <p>SA EBSL605 (1).docx (D142458594)</p>				
390/685	SUBMITTED TEXT	32 WORDS	71% MATCHING TEXT	32 WORDS
<p>The quorum for a meeting of the Board is 1/3 of its total strength (any fraction contained 79 in that 1/3rd being rounded off as one) or 2 directors whichever is higher. If</p> <p>W https://pdfcoffee.com/blaw-pdf-free.html</p> <p>the quorum for a meeting of the Board of Directors of a company shall be one-third of its total strength (any fraction contained in' that one-third being rounded off as one), or two directors, whichever is higher. – Section 287 If</p>				
391/685	SUBMITTED TEXT	18 WORDS	88% MATCHING TEXT	18 WORDS
<p>at any time the number of interested directors exceeds or is equal to 2/3rds of the total strength,</p> <p>W https://www.bdu.ac.in/cde/SLM/SLM_FULL/MBA/MBA%20III%20Semester/Legal%20Aspects%20of%20Business.P ...</p> <p>at any time the number of interested directors exceeds or is equal to two-thirds of the total strength</p>				
392/685	SUBMITTED TEXT	29 WORDS	72% MATCHING TEXT	29 WORDS
<p>If a meeting of the Board cannot be held for want of quorum it stands adjourned till the same day in the next week at the same time and place. (</p> <p>W https://pdfcoffee.com/blaw-pdf-free.html</p> <p>If a meeting of the Board could not be held in absence of quorum, it shall automatically adjourned till the same day in the next week, at the same time and place.</p>				

393/685	SUBMITTED TEXT	14 WORDS	78% MATCHING TEXT	14 WORDS
<p>who is entitled to attend and vote at a meeting may appoint another person</p> <p>W https://www.ddegjust.ac.in/studymaterial/bba/bba-201.pdf</p>		<p>who is entitled to attend and vote at a meeting of the can appoint another person (</p>		
394/685	SUBMITTED TEXT	43 WORDS	36% MATCHING TEXT	43 WORDS
<p>the quorum. If there is no quorum half an hour before the commencement of the meeting, the meeting stands dissolved. It is adjourned till the same day next week at the same hour and place or such day, hour and place as the Board may</p> <p>SA EBSL605 (1).docx (D142458880)</p>				
395/685	SUBMITTED TEXT	18 WORDS	88% MATCHING TEXT	18 WORDS
<p>one member if not more than seven members are present and by two members if more than seven</p> <p>W https://www.ddegjust.ac.in/studymaterial/bba/bba-201.pdf</p>		<p>one member if not more than seven members are present, and by two member if not more than seven</p>		
396/685	SUBMITTED TEXT	12 WORDS	87% MATCHING TEXT	12 WORDS
<p>the appointer must be deposited with the company 48 hours before the meeting.</p> <p>SA MBA-401 Business Law.pdf (D164737585)</p>				
397/685	SUBMITTED TEXT	15 WORDS	86% MATCHING TEXT	15 WORDS
<p>votes cast in favour of the resolution whether by show of hands or by poll</p> <p>SA law Assignment A.docx (D126190280)</p>				
398/685	SUBMITTED TEXT	21 WORDS	58% MATCHING TEXT	21 WORDS
<p>name of the company with the consent of the Central Govt. (Sect. 21). 3. Alteration of Articles of the company (</p> <p>SA Ravinder Kumar - Legal Aspects Of Business, 4Ed-Cengage India (2016).pdf (D142409269)</p>				
399/685	SUBMITTED TEXT	19 WORDS	75% MATCHING TEXT	19 WORDS
<p>of the company voluntarily (Sec. 484). 9. Conversion of any portion of uncalled capital into reserve capital (Sec. 99). 10.</p> <p>SA 004_Business Environment.pdf (D142522848)</p>				

400/685	SUBMITTED TEXT	12 WORDS	100% MATCHING TEXT	12 WORDS
Alteration of memorandum to render the liability of Directors unlimited (Sec. 323). 4.42				
SA 004_Business Environment.pdf (D142522848)				
401/685	SUBMITTED TEXT	26 WORDS	78% MATCHING TEXT	26 WORDS
give its members notice of the resolution in the same manner as it gives notice of the meeting. If this is not practicable, the company must give				
give its members notice of the resolution in the same manner as it gives notice of the meeting. If that is not practicable, the company shall give				
W https://www.ddegjust.ac.in/studymaterial/bba/bba-201.pdf				
402/685	SUBMITTED TEXT	15 WORDS	87% MATCHING TEXT	15 WORDS
advertisement in the newspaper having an appropriate circulation or in any mode permitted by the Articles.				
advertisement in the newspaper having an appropriate circulation or in any other mode allowed by the articles (
W https://cacwacs.files.wordpress.com/2014/08/law-vol-1.pdf				
403/685	SUBMITTED TEXT	18 WORDS	61% MATCHING TEXT	18 WORDS
an auditor other than retiring auditor (Sec. 225). 2. Provision that a retiring auditor shall not be re-appointed (
an auditor, a person other than a retiring auditor; moving a that a retiring auditor will not be re-appointed;				
W https://ebooks.lpude.in/management/mba/term_2/DMGT407_CORPORATE_AND_BUSINESS_LAWS.pdf				
404/685	SUBMITTED TEXT	29 WORDS	55% MATCHING TEXT	29 WORDS
of every general meeting, of every meeting of the Board of Directors, of every meeting of the Committee of the Board. The minutes must be written up within 30 days				
of every general meeting of every meeting-of the Board of Directors of every committee of the Board. ? should be within 30 days				
W https://www.bdu.ac.in/cde/SLM/SLM_FULL/MBA/MBA%20III%20Semester/Legal%20Aspects%20of%20Business.P ...				
405/685	SUBMITTED TEXT	61 WORDS	34% MATCHING TEXT	61 WORDS
be initiated while the last page recording the proceedings of the meeting shall be dated & stamped by : (i) In case of Board meetings and meetings of the Committee of the Board by the Chairman of the meeting or the succeeding meeting. (ii) In case of general meeting by the Chairman or in his absence by a Director duly authorised by the Board. 2. The				
be initiated, or signed and the last page of the record, of the proceedings shall be dated and signed, in the case of ? A Board by the Chairman of the said meeting or the Chairman of the next/succeeding meeting, ? General Meeting by the Chairman of the same or in the event of his death or insanity, by a Director duly authorized by the Board the				
W https://www.bdu.ac.in/cde/SLM/SLM_FULL/MBA/MBA%20III%20Semester/Legal%20Aspects%20of%20Business.P ...				

406/685	SUBMITTED TEXT	52 WORDS	43% MATCHING TEXT	52 WORDS
<p>contain a true and fair summary of the proceedings. 3. All appointment of offices made at the meeting shall be included in the minutes. 4. In case of Board meetings and of meetings of the Committee of the Board, the minutes shall contain. (i) Names of directors present. (ii) Names of directors who dissented from or</p>		<p>contain a fair and correct summary of the proceedings at the meeting. (d) All the appointments of officers made any of the meetings aforesaid must be included in the minutes. the case of a meeting of the Board of or of a committee of the board, the minutes must contain the names of the directors present at the meeting the names of the directors dissenting from or</p>		
<p>W https://www.ddegjust.ac.in/studymaterial/bba/bba-201.pdf</p>				
407/685	SUBMITTED TEXT	32 WORDS	68% MATCHING TEXT	32 WORDS
<p>Notice of the intention to move the resolution must be given to the company not less than 14 days before the meeting at which the resolution is to be moved exclusive of the</p>				
<p>SA Business Law Block-1.pdf (D164991125)</p>				
408/685	SUBMITTED TEXT	36 WORDS	69% MATCHING TEXT	36 WORDS
<p>every company having a share capital shall within 60 days from the day on which each annual meeting is held, prepare and file with the Register a return containing the following particulars : (a) Its registered office. 82 (b)</p>		<p>Every company not having a share capital shall within 60 days from the day on which each of the annual general meetings is held, prepare and file with the Registrar a return stating the following particulars as they stood on that a) Registered b)</p>		
<p>W https://www.ddegjust.ac.in/studymaterial/bba/bba-201.pdf</p>				
409/685	SUBMITTED TEXT	12 WORDS	87% MATCHING TEXT	12 WORDS
<p>members and debenture holders, past and present. (g) Its directors, managing directors,</p>		<p>Members and debenture-holders, past and present; and 7. Its directors, managing directors,</p>		
<p>W https://www.ddegjust.ac.in/studymaterial/bba/bba-201.pdf</p>				
410/685	SUBMITTED TEXT	16 WORDS	73% MATCHING TEXT	16 WORDS
<p>must be in the form set out in Part II of Schedule V or as circumstances admit.</p>		<p>must be in the form set out in Part 1 of Schedule VI or as near thereto as circumstances admit,</p>		
<p>W https://pdfcoffee.com/blaw-pdf-free.html</p>				
411/685	SUBMITTED TEXT	16 WORDS	75% MATCHING TEXT	16 WORDS
<p>the copy of the annual return filed with the Register must be signed by a director and by</p>		<p>The copy of the annual return filed with the Registrar under Section 159 or 160 shall be signed both by a director and by</p>		
<p>W https://www.ddegjust.ac.in/studymaterial/bba/bba-201.pdf</p>				
412/685	SUBMITTED TEXT	14 WORDS	100% MATCHING TEXT	14 WORDS
<p>be punishable with fine which may extend to Rs. 500/- for every day</p>		<p>be punishable with fine which may extend to Rs.5,00/- for every day</p>		
<p>W https://pdfcoffee.com/blaw-pdf-free.html</p>				

413/685	SUBMITTED TEXT	14 WORDS	89% MATCHING TEXT	14 WORDS
<p>Director A Director is a person occupying the position of Director by whatever name</p>		<p>Director: A director is any person occupying the position of director, by whatever name</p>		
<p>W https://ebooks.lpude.in/management/mba/term_2/DMGT407_CORPORATE_AND_BUSINESS_LAWS.pdf</p>				
414/685	SUBMITTED TEXT	39 WORDS	41% MATCHING TEXT	39 WORDS
<p>Defamatory of a person. (ii) Irrelevant to the proceedings. (iii) Det' mental to the interests of the company. The decision of the chairman shall be final. The minute books shall be kept at the registered office of the company and can be</p>				
<p>SA 346E1250_Legal Environment of Business.pdf (D165203702)</p>				
415/685	SUBMITTED TEXT	26 WORDS	66% MATCHING TEXT	26 WORDS
<p>Number of Directors A public company (other than a public company which has become such by virtue of Sec.43A) must have at least 3 directors while every</p>		<p>Number of Directors Section 252 that every public company (other than a public company which has become such by virtue of Section 43-A) must have atleast 3 directors and every</p>		
<p>W https://www.bdu.ac.in/cde/SLM/SLM_FULL/MBA/MBA%20III%20Semester/Legal%20Aspects%20of%20Business.P ...</p>				
416/685	SUBMITTED TEXT	15 WORDS	86% MATCHING TEXT	15 WORDS
<p>if the increase in number does not make the total number of directors more than 12(</p>		<p>if the increase in the number will not make the total number of directors more than</p>		
<p>W https://ebooks.lpude.in/management/mba/term_2/DMGT407_CORPORATE_AND_BUSINESS_LAWS.pdf</p>				
417/685	SUBMITTED TEXT	14 WORDS	90% MATCHING TEXT	14 WORDS
<p>having control over the direction, conduct, management or superintendence of the affairs of the company.</p>				
<p>SA NOTES.docx (D143726320)</p>				
418/685	SUBMITTED TEXT	13 WORDS	96% MATCHING TEXT	13 WORDS
<p>no body corporate association or firm can be appointed director of a company (</p>				
<p>SA 004_Business Environment.pdf (D142522848)</p>				
419/685	SUBMITTED TEXT	13 WORDS	87% MATCHING TEXT	13 WORDS
<p>The Articles of a company usually name the first directors (Sec. 254). Their</p>				
<p>SA 004_Business Environment.pdf (D142522848)</p>				

420/685	SUBMITTED TEXT	19 WORDS	82% MATCHING TEXT	19 WORDS
<p>In case of a public company and a private company which is a subsidiary of a public company unless the</p> <p>W http://www.fimt-ggsipu.org/study/bba210.pdf</p>		<p>In the of a public company a private company which is a subsidiary of a public company, the</p>		
421/685	SUBMITTED TEXT	19 WORDS	62% MATCHING TEXT	19 WORDS
<p>must be appointed by the company in general meeting and they shall be liable to retire by rotation. The remaining</p> <p>W https://www.bdu.ac.in/cde/SLM/SLM_FULL/MBA/MBA%20III%20Semester/Legal%20Aspects%20of%20Business.P ...</p>		<p>must be appointed by the company in general meeting. These directors must be subject to retirement by rotation. The remaining</p>		
422/685	SUBMITTED TEXT	56 WORDS	89% MATCHING TEXT	56 WORDS
<p>the articles of a company may provide for the appointment of not less than 2/3rds of the total number of directors of a public company or of a private company which is a subsidiary of a public company according to the principle of proportional representation whether by single transferable vote or by a system of cumulative voting or otherwise.</p> <p>W https://www.bdu.ac.in/cde/SLM/SLM_FULL/MBA/MBA%20III%20Semester/Legal%20Aspects%20of%20Business.P ...</p>		<p>The articles of a company may provide that the appointment of not less than 2/3 of the total number of directors of a public company (or a private Company which is a subsidiary of a public company) shall be according the principle of proportional representation, either by single transferable vote or by a system of cumulative voting or otherwise.</p>		
423/685	SUBMITTED TEXT	13 WORDS	76% MATCHING TEXT	13 WORDS
<p>additional directors hold office only upto the date of the next annual meeting</p> <p>W https://www.bdu.ac.in/cde/SLM/SLM_FULL/MBA/MBA%20III%20Semester/Legal%20Aspects%20of%20Business.P ...</p>		<p>additional directors shall hold office only up to the, date of the next annual general meeting [</p>		
424/685	SUBMITTED TEXT	20 WORDS	100% MATCHING TEXT	20 WORDS
<p>The number of directors and additional directors must not exceed the maximum strength fixed for the Board by the Articles. 84</p> <p>W https://www.bdu.ac.in/cde/SLM/SLM_FULL/MBA/MBA%20III%20Semester/Legal%20Aspects%20of%20Business.P ...</p>		<p>The number of directors and additional directors must not exceed the maximum strength fixed for the board by the articles.</p>		
425/685	SUBMITTED TEXT	62 WORDS	90% MATCHING TEXT	62 WORDS
<p>in the case of a public company or a private company which is subsidiary of a public company, if the office of any director appointed by the company in general meeting is vacated before his term of office expires in the normal course, the resulting casual vacancy may subject to any provisions in the Articles be filled by the Board of Directors at its meeting.</p> <p>W https://ebooks.lpude.in/management/mba/term_2/DMGT407_CORPORATE_AND_BUSINESS_LAWS.pdf</p>		<p>in the case of a public company or a private company which is subsidiary of a public company. if the office of any directors appointed by the company in general meeting is vacated before his term of office expires in the normal course, the resulting casual vacancy, may, subject to any regulations in the Articles of the company, be filled by the Board of Directors at a meeting</p>		

426/685	SUBMITTED TEXT	40 WORDS	54% MATCHING TEXT	40 WORDS
<p>the articles, subscribers to the memorandum who are individuals shall be deemed to be the directors of the company till directors are appointed by the company U/s 255. U/s 255, directors are appointed by the company in its first annual general meeting.</p>				
<p>SA Sambalpur_MBA_SEM_2_Legal Aspects of Business_Merged.pdf (D156214893)</p>				
427/685	SUBMITTED TEXT	19 WORDS	81% MATCHING TEXT	19 WORDS
<p>hold office upto the date upto which the director in whose place he is appointed would have held office</p>				
<p>SA Ravinder Kumar - Legal Aspects Of Business, 4Ed-Cengage India (2016).pdf (D142409269)</p>				
428/685	SUBMITTED TEXT	24 WORDS	68% MATCHING TEXT	24 WORDS
<p>original director during his absence for a period of not less than 3 months from the state in which meetings of the Board are ordinarily held.</p>				
<p>W http://www.fimt-ggsipu.org/study/bba210.pdf</p>				
429/685	SUBMITTED TEXT	13 WORDS	96% MATCHING TEXT	13 WORDS
<p>effectively safeguard the interest of the company or its shareholders or public interest</p>				
<p>W https://www.bdu.ac.in/cde/SLM/SLM_FULL/MBA/MBA%20III%20Semester/Legal%20Aspects%20of%20Business.P ...</p>				
430/685	SUBMITTED TEXT	26 WORDS	84% MATCHING TEXT	26 WORDS
<p>the Board of Directors may if so authorised by its Articles or by a resolution passed by the Company in general meeting appoint an alternate director.</p>				
<p>SA EBSL605 (1).docx (D142458594)</p>				
431/685	SUBMITTED TEXT	17 WORDS	96% MATCHING TEXT	17 WORDS
<p>for every day between such expiry and the last day on which he acted as director.</p>				
<p>W https://www.bdu.ac.in/cde/SLM/SLM_FULL/MBA/MBA%20III%20Semester/Legal%20Aspects%20of%20Business.P ...</p>				
432/685	SUBMITTED TEXT	18 WORDS	100% MATCHING TEXT	18 WORDS
<p>a person who is already a director of 15 companies is appointed a director in any other company</p>				
<p>W https://ebooks.lpude.in/management/mba/term_2/DMGT407_CORPORATE_AND_BUSINESS_LAWS.pdf</p>				

433/685	SUBMITTED TEXT	18 WORDS	97% MATCHING TEXT	18 WORDS
<p>the appointment will not be effective unless within 15 days thereafter the director has vacated his office in</p>		<p>the appointment will not be effective unless within 15 days thereafter, the director so has vacated his office in</p>		
<p>W https://ebooks.lpude.in/management/mba/term_2/DMGT407_CORPORATE_AND_BUSINESS_LAWS.pdf</p>				
434/685	SUBMITTED TEXT	38 WORDS	64% MATCHING TEXT	38 WORDS
<p>Private company neither a subsidiary or holding company of a public company, 2. Unlimited company. 3. Association not carrying on business for profit or which prohibits payment of dividend. 4. Company in which he is appointed as alternate director (Sec. 278).</p>		<p>private company; which is neither a subsidiary nor a holding company of a public company; (b) An Unlimited company; (c) An association not carrying on business from profit or which prohibits the payment of dividend; (d) A company in which such persons is only an alternate director (sec. 278 (1).</p>		
<p>W https://www.bdu.ac.in/cde/SLM/SLM_FULL/MBA/MBA%20III%20Semester/Legal%20Aspects%20of%20Business.P ...</p>				
435/685	SUBMITTED TEXT	17 WORDS	61% MATCHING TEXT	17 WORDS
<p>Any person who holds office as director of more than 20 public companies is liable to be fined</p>		<p>Any person who holds office of, or acts as a director of more than 20 companies in contravention of the foregoing provisions is liable to be fined</p>		
<p>W https://ebooks.lpude.in/management/mba/term_2/DMGT407_CORPORATE_AND_BUSINESS_LAWS.pdf</p>				
436/685	SUBMITTED TEXT	11 WORDS	100% MATCHING TEXT	11 WORDS
<p>in respect of each of those companies after the first 15 (</p>		<p>in respect of each of those companies after the first 20</p>		
<p>W https://ebooks.lpude.in/management/mba/term_2/DMGT407_CORPORATE_AND_BUSINESS_LAWS.pdf</p>				
437/685	SUBMITTED TEXT	14 WORDS	78% MATCHING TEXT	14 WORDS
<p>Directors to possess a certain amount of shares. Such shares are called Qualification Shares.</p>				
<p>SA 004_Business Environment.pdf (D142522848)</p>				
438/685	SUBMITTED TEXT	19 WORDS	72% MATCHING TEXT	19 WORDS
<p>Vacation of Office of Director (Sec. 283) The office of a director becomes vacant if : (a) He fails to</p>		<p>Vacation of office by directors (sec. 283) office of a director become vacant if (a) He fails to</p>		
<p>W https://www.bdu.ac.in/cde/SLM/SLM_FULL/MBA/MBA%20III%20Semester/Legal%20Aspects%20of%20Business.P ...</p>				
439/685	SUBMITTED TEXT	25 WORDS	84% MATCHING TEXT	25 WORDS
<p>c) He applies to be adjudged insolvent. (d) He is adjudged an insolvent. (e) He is convicted by Court of any offence involving moral turpitude and</p>		<p>c) He applies to be adjudicated an insolvent; (d) He is adjudged an insolvent; (e) He is convicted by a court of an offence involving moral turpitude and</p>		
<p>W https://www.bdu.ac.in/cde/SLM/SLM_FULL/MBA/MBA%20III%20Semester/Legal%20Aspects%20of%20Business.P ...</p>				

440/685	SUBMITTED TEXT	34 WORDS	52% MATCHING TEXT	34 WORDS
<p>sentenced to imprisonment for 6 months or more. (f) Hefails to pay any call within 6 months from the last date fixed for payment unless the Central Government by notification in the official gazette has removed</p>		<p>sentenced to imprisonment for not less than 6 months; (f) He fails to pay any calls on the shares held by him within six months from the date fixed for payment, unless the central government has by notification in' the, official gazette removed</p>		
<p>W https://www.bdu.ac.in/cde/SLM/SLM_FULL/MBA/MBA%20III%20Semester/Legal%20Aspects%20of%20Business.P ...</p>				
441/685	SUBMITTED TEXT	34 WORDS	87% MATCHING TEXT	34 WORDS
<p>He absents himself from three consecutive meetings of the Board of Directors or from all meetings of the Board for continuous period of3 month whichever is longer without leave of absence from the Board. (h) He</p>		<p>he absents himself from three consecutive meetings of the Board of Directors, or from all meetings of the board for a continuous period of three months, whichever is longer, without obtaining leave of absence from the Board; (he</p>		
<p>W https://ebooks.lpude.in/management/mba/term_2/DMGT407_CORPORATE_AND_BUSINESS_LAWS.pdf</p>				
442/685	SUBMITTED TEXT	19 WORDS	63% MATCHING TEXT	19 WORDS
<p>a loan from the company. (i) He fails to disclose to the Board his interest in any contract or</p>		<p>a loan from the company in contravention of section 295; (i) He not disclose to the board of directors of his interest in any contract or</p>		
<p>W https://www.bdu.ac.in/cde/SLM/SLM_FULL/MBA/MBA%20III%20Semester/Legal%20Aspects%20of%20Business.P ...</p>				
443/685	SUBMITTED TEXT	22 WORDS	97% MATCHING TEXT	22 WORDS
<p>Having been appointed a director by virtue of his holding any office or other employment in the company he ceases to hold</p>		<p>having been appointed a director by virtue of his holding any office or the other employment in the company, he ceases to hold</p>		
<p>W https://www.bdu.ac.in/cde/SLM/SLM_FULL/MBA/MBA%20III%20Semester/Legal%20Aspects%20of%20Business.P ...</p>				
444/685	SUBMITTED TEXT	60 WORDS	46% MATCHING TEXT	60 WORDS
<p>The following persons cannot be appointed as directors : 1. A person of unsound mind. 2. An undischarged insolvent. 3. A person who has applied to be adjudged an insolvent. 4. A person who has been convicted of an offence involving moral turpitude and sentenced to 6 months imprisonment and a period of 5 years has not passed from the date of expiry of sentence. 5.</p>				
<p>SA Ravinder Kumar - Legal Aspects Of Business, 4Ed-Cengage India (2016).pdf (D142409269)</p>				
445/685	SUBMITTED TEXT	16 WORDS	100% MATCHING TEXT	16 WORDS
<p>Sec. 284) The shareholders may by passing an ordinary resolution at their general meeting remove a director (</p>				
<p>SA 004_Business Environment.pdf (D142522848)</p>				

446/685	SUBMITTED TEXT	19 WORDS	57% MATCHING TEXT	19 WORDS
<p>expiry of his period of office. A special notice is required of any proposed resolution to remove a director.</p> <p>SA On My tips.docx (D26069536)</p>				
447/685	SUBMITTED TEXT	43 WORDS	53% MATCHING TEXT	43 WORDS
<p>to make representations in writing (not exceeding reasonable length) to the company, which must send a copy of them to every member. If a copy of the representations is not sent because they are received too late or because of company's default, the director may (</p> <p>to make representations, in writing and not exceeding a reasonable length to the company. The company must send a copy of the representation to the shareholders provided such a representation is received in time. a copy of the representation is not sent to the members because it was received too late or because of company's default, the auditor may</p> <p>W https://pdfcoffee.com/blaw-pdf-free.html</p>				
448/685	SUBMITTED TEXT	42 WORDS	46% MATCHING TEXT	42 WORDS
<p>vacancy created by the removal of a director may be filled up in the same meeting provided special notice of the proposed appointment was also given. The successor can hold office until the date upto which his predecessor would have held office if</p> <p>vacancy created by the removal of a director as aforesaid can be filled up at the meeting at which he is provided special notice of the proposed appointment was also given. The director so appointed shall hold office the date the director removed would otherwise have held office. If</p> <p>W https://www.bdu.ac.in/cde/SLM/SLM_FULL/MBA/MBA%20III%20Semester/Legal%20Aspects%20of%20Business.P ...</p>				
449/685	SUBMITTED TEXT	57 WORDS	40% MATCHING TEXT	57 WORDS
<p>of the Act, the Board of Directors may exercise any of the following powers on behalf of the company and may do so only by means of a resolution passed at the meeting of the Board (a) make calls on shareholders (b) issue debentures (c) borrow moneys otherwise than on debentures (d) invest funds of the company (e)</p> <p>of the Companies Act, 1956 provides that the Board of directors a company shall exercise the powers on behalf of the company and it shall do so only by means of resolution passed at meeting the Board: (a) The power to make calls on shareholders in respect of money unpaid on their b) The power issue debentures; (c) The power to borrow moneys otherwise than on debentures; (d) The power to invest funds of the company; and (e)</p> <p>W http://www.fimt-ggsipu.org/study/bba210.pdf</p>				
450/685	SUBMITTED TEXT	26 WORDS	78% MATCHING TEXT	26 WORDS
<p>powers except with the consent of the company at its general meeting : (a) Sell, lease or dispose of the whole or substantially the whole of the companies' undertakings. (</p> <p>powers except with the consent of the company in general meeting: (a) Power to sell, lease or otherwise dispose the whole or substantially the whole of the undertaking</p> <p>W https://www.bdu.ac.in/cde/SLM/SLM_FULL/MBA/MBA%20III%20Semester/Legal%20Aspects%20of%20Business.P ...</p>				
451/685	SUBMITTED TEXT	13 WORDS	96% MATCHING TEXT	13 WORDS
<p>Remit or give time for repayment of any debt due by a Director. (</p> <p>Remit, or give time the repayment of any debt due by a director (</p> <p>W https://www.bdu.ac.in/cde/SLM/SLM_FULL/MBA/MBA%20III%20Semester/Legal%20Aspects%20of%20Business.P ...</p>				

452/685	SUBMITTED TEXT	15 WORDS	93% MATCHING TEXT	15 WORDS
<p>other funds not relating to the business of the company or welfare of its employees</p> <p>W https://www.bdu.ac.in/cde/SLM/SLM_FULL/MBA/MBA%20III%20Semester/Legal%20Aspects%20of%20Business.P ...</p>		<p>other funds not directly relating to the business of the company or the welfare of its employees,</p>		
453/685	SUBMITTED TEXT	15 WORDS	75% MATCHING TEXT	15 WORDS
<p>Where notice is given of a resolution to remove a director, the director concerned</p> <p>SA EBSL605 (1).docx (D142458594)</p>				
454/685	SUBMITTED TEXT	19 WORDS	60% MATCHING TEXT	19 WORDS
<p>The remuneration payable to Directors is governed by the Articles or by a resolution passed at the general meeting</p> <p>SA NOTES.docx (D143726320)</p>				
455/685	SUBMITTED TEXT	31 WORDS	39% MATCHING TEXT	31 WORDS
<p>remuneration either by way of monthly fees or by way of a fee for each meeting of the Board attended by him or partly by one way and partly by the other</p> <p>W https://www.ddegjust.ac.in/studymaterial/bba/bba-201.pdf</p>		<p>remuneration either by way of a monthly or at a specified percentage of the net of the company, or partly by one way and partly by the other.</p>		
456/685	SUBMITTED TEXT	48 WORDS	89% MATCHING TEXT	48 WORDS
<p>Managing Director may be paid remuneration either by way of monthly fees or at a specified% of the Net Profits of the company or partly by one way and partly by other except with the approval of the Central Government. But such remuneration shall not exceed 5% of the Net Profits</p> <p>W https://www.ddegjust.ac.in/studymaterial/bba/bba-201.pdf</p>		<p>managing director may be paid remuneration either by way of a monthly payment or at a specified percentage of the net profits of the company, or partly by one way and partly by the other. Except with the approval of the Central Government, such remuneration shall not exceed 5 per cent of the net profits</p>		
457/685	SUBMITTED TEXT	25 WORDS	57% MATCHING TEXT	25 WORDS
<p>a monthly, quarterly or annual sum with the approval of the Central Government or a commission on Net Profits if sanctioned by a special resolution. Such</p> <p>W https://www.ddegjust.ac.in/studymaterial/bba/bba-201.pdf</p>		<p>a monthly, quarterly, or annual payment with the approval of the Central Government, or by way of commission if the company by a special resolution authorises such</p>		
458/685	SUBMITTED TEXT	12 WORDS	100% MATCHING TEXT	12 WORDS
<p>remuneration shall not exceed 11% of the Net Profits of the company</p> <p>SA MBA-401 Business Law.pdf (D164737585)</p>				

459/685	SUBMITTED TEXT	20 WORDS	81% MATCHING TEXT	20 WORDS
<p>The above provisions do not apply to a private company other than a subsidiary of a Public company Sec. 309 (5). 7.</p>		<p>The above provisions do not apply to a private company, unless it is a subsidiary of a public company (Sec.273);</p>		
<p>W https://www.bdu.ac.in/cde/SLM/SLM_FULL/MBA/MBA%20III%20Semester/Legal%20Aspects%20of%20Business.P ...</p>				
460/685	SUBMITTED TEXT	27 WORDS	68% MATCHING TEXT	27 WORDS
<p>of the Net Profits of the company if it has a whole time director or managing director of (b) 3% of the Net Profits of the company in other</p>				
<p>SA MBA-401 Business Law.pdf (D164737585)</p>				
461/685	SUBMITTED TEXT	16 WORDS	75% MATCHING TEXT	16 WORDS
<p>any partner or relative of any director. (b) Any firm in which any such director or relative is a partner. (</p>				
<p>SA Ravinder Kumar - Legal Aspects Of Business, 4Ed-Cengage India (2016).pdf (D142409269)</p>				
462/685	SUBMITTED TEXT	29 WORDS	56% MATCHING TEXT	29 WORDS
<p>Any private company of which any such director is a director or member. (d) Any body corporate at whose meeting any director or directors control 25% of the total voting power. (</p>				
<p>SA Ravinder Kumar - Legal Aspects Of Business, 4Ed-Cengage India (2016).pdf (D142409269)</p>				
463/685	SUBMITTED TEXT	15 WORDS	100% MATCHING TEXT	15 WORDS
<p>not apply to a private company, which is not a subsidiary of a public company</p>		<p>not apply to a private company which is not a subsidiary of a public company. (</p>		
<p>W https://pdfcoffee.com/blaw-pdf-free.html</p>				
464/685	SUBMITTED TEXT	46 WORDS	63% MATCHING TEXT	46 WORDS
<p>firm in which he is a partner or a private company in which he is a member or director cannot enter into a contract with the company for the sale, purchase or supply of goods, materials and services and for underwriting the subscription of its shares or debentures</p>		<p>firm in which he or his relative has any interest or any private company of which he is a member or a shall not enter into any contract with the Company for the sale purchase or supply of goods materials or services or for underwriting the subscription of any shares or debentures.</p>		
<p>W https://www.bdu.ac.in/cde/SLM/SLM_FULL/MBA/MBA%20III%20Semester/Legal%20Aspects%20of%20Business.P ...</p>				
465/685	SUBMITTED TEXT	11 WORDS	100% MATCHING TEXT	11 WORDS
<p>be entered into except with the previous approval of the Central Government.</p>		<p>be entered into except with the previous approval of the Central Government.</p>		
<p>W https://www.bdu.ac.in/cde/SLM/SLM_FULL/MBA/MBA%20III%20Semester/Legal%20Aspects%20of%20Business.P ...</p>				

466/685	SUBMITTED TEXT	9 WORDS	100% MATCHING TEXT	9 WORDS
be voidable at the option of the Board of Directors.		be voidable at the option of the Board of directors.		
W https://www.bdu.ac.in/cde/SLM/SLM_FULL/MBA/MBA%20III%20Semester/Legal%20Aspects%20of%20Business.P ...				
467/685	SUBMITTED TEXT	38 WORDS	46% MATCHING TEXT	38 WORDS
Any body corporate whose Board of Director or manager is required to act in accordance with the di rec ti ons of the Board of Di rectors or of any di rector or di rectors of the lending company. 89				
SA Ravinder Kumar - Legal Aspects Of Business, 4Ed-Cengage India (2016).pdf (D142409269)				
468/685	SUBMITTED TEXT	15 WORDS	71% MATCHING TEXT	15 WORDS
is in any way interested in a contract by or on behalf of the				
SA Ravinder Kumar - Legal Aspects Of Business, 4Ed-Cengage India (2016).pdf (D142409269)				
469/685	SUBMITTED TEXT	13 WORDS	88% MATCHING TEXT	13 WORDS
the nature of his concern or interest at the meeting of the Board				
SA MBA-401 Business Law.pdf (D164737585)				
470/685	SUBMITTED TEXT	14 WORDS	88% MATCHING TEXT	14 WORDS
the nature of his concern or interest at the meeting of the Board.				
SA MBA-401 Business Law.pdf (D164737585)				
471/685	SUBMITTED TEXT	14 WORDS	89% MATCHING TEXT	14 WORDS
must be kept at the registered office of the company and must be open		must be kept (i) at the registered office of the company; and (be open		
W https://www.ddegjust.ac.in/studymaterial/bba/bba-201.pdf				
472/685	SUBMITTED TEXT	24 WORDS	89% MATCHING TEXT	24 WORDS
If default is made, the company & every officer of the company who is in default is punishable with fine which may extend to		If default is made, the company and every officer of the company who is in default, shall punishable with fine which may extend to		
W https://pdfcoffee.com/blaw-pdf-free.html				

473/685	SUBMITTED TEXT	17 WORDS	79% MATCHING TEXT	17 WORDS
<p>must be kept at the registered office of the company and must be open to inspection of</p> <p>W https://www.ddegjust.ac.in/studymaterial/bba/bba-201.pdf</p>		<p>must be kept (i) at the registered office of the company; and (be open hours to the of</p>		
474/685	SUBMITTED TEXT	28 WORDS	80% MATCHING TEXT	28 WORDS
<p>for Loss of Office of Director (Sec. 318) No compensation for loss of office may be paid by a company to any director other than managing or whole time</p> <p>W https://ebooks.lpude.in/management/mba/term_2/DMGT407_CORPORATE_AND_BUSINESS_LAWS.pdf</p>		<p>for Loss of Office Section 318 provides that no compensation for loss of office may be paid by a company to any director other than the managing director, or whole-time</p>		
475/685	SUBMITTED TEXT	11 WORDS	100% MATCHING TEXT	11 WORDS
<p>resigns his office on reconstruction or amalgamation of the company</p> <p>W https://ebooks.lpude.in/management/mba/term_2/DMGT407_CORPORATE_AND_BUSINESS_LAWS.pdf</p>		<p>resigns his office on reconstruction or amalgamation of the company; (</p>		
476/685	SUBMITTED TEXT	110 WORDS	77% MATCHING TEXT	110 WORDS
<p>guilty of fraud or breach of trust or gross negligence or gross mismanagement in the conduct of the affairs of the company or any subsidiary or holding company thereof. 5. Director has instigated or taken part directly or indirectly in bringing about termination of office. 91 Where compensation is payable, it must not exceed the remuneration which would have been eared for the unexpired residue of the term or 3 years whichever is shorter calculated on the basis of the average remuneration actually earned by him during a period of 3 years immediately preceding the date on which he ceased to hold office or where he held office for a lesser period than 3 years during such period. 4.51</p> <p>W https://ebooks.lpude.in/management/mba/term_2/DMGT407_CORPORATE_AND_BUSINESS_LAWS.pdf</p>		<p>guilty of fraud or breach of trust in relation to, or of gross negligence in or gross mismanagement of the conduct of the affairs of the company or any subsidiary or holding company thereof; (vi) where he has instigated or has taken part directly or indirectly in bringing about the termination of office. Where, the compensation is payable, it must not exceed the remuneration which would have been earned by the director for the unexpired residue of the term or for three years whichever is shorter. The calculation of this amount should be based on the average remuneration actually earned by him during a period of three years immediately prior to the date on which he ceased to hold the office, or where he held the office for a shorter period than three years, during such period.</p>		
477/685	SUBMITTED TEXT	25 WORDS	63% MATCHING TEXT	25 WORDS
<p>the consent of the company accorded by a special resolution either in general meeting or within 3 months from the date of appointment whichever is later. (a)</p> <p>W https://ebooks.lpude.in/management/mba/term_2/DMGT407_CORPORATE_AND_BUSINESS_LAWS.pdf</p>		<p>the consent of the company may be obtained either in the general meeting or within 3 months from the date of the appointment, whichever is later. However, a</p>		
478/685	SUBMITTED TEXT	14 WORDS	70% MATCHING TEXT	14 WORDS
<p>the company or its subsidiaries or its holding company or subsidiary of a holding company</p> <p>SA On My tips.docx (D26069536)</p>				

479/685	SUBMITTED TEXT	34 WORDS	81% MATCHING TEXT	34 WORDS
<p>firm in which such director or relative of such director is a partner. (d) A private company of which such director is a director or member. (e) Any director or manager of such a private company.</p>		<p>firm in which such director or a relative of such director, is a partner, no private company of which such director is a director or member and director, or manager of such a private company</p>		
<p>W https://ebooks.lpude.in/management/mba/term_2/DMGT407_CORPORATE_AND_BUSINESS_LAWS.pdf</p>				
480/685	SUBMITTED TEXT	12 WORDS	95% MATCHING TEXT	12 WORDS
<p>by a special resolution and the approval of the Central Government : (</p>		<p>by a special resolution and the approval of the Central Government.</p>		
<p>W https://ebooks.lpude.in/management/mba/term_2/DMGT407_CORPORATE_AND_BUSINESS_LAWS.pdf</p>				
481/685	SUBMITTED TEXT	48 WORDS	68% MATCHING TEXT	48 WORDS
<p>Partner or relative of a director or manager. (b) Firm in which such director or manager or relative of either is a partner. (c) Private company of which such a director or manager or relative of either is a di rector or member. If any office or place of profit</p>		<p>partner or relative of a director or manger, (ii) firm in which such director or manger, or relative of either is a partner, (iii) no private company of which such a director or manager, or relative of either, is a director member, shall hold an office or place of profit</p>		
<p>W https://ebooks.lpude.in/management/mba/term_2/DMGT407_CORPORATE_AND_BUSINESS_LAWS.pdf</p>				
482/685	SUBMITTED TEXT	10 WORDS	100% MATCHING TEXT	10 WORDS
<p>the date next following the date of the general meeting</p>		<p>the date next following the date of the general meeting. (</p>		
<p>W https://ebooks.lpude.in/management/mba/term_2/DMGT407_CORPORATE_AND_BUSINESS_LAWS.pdf</p>				
483/685	SUBMITTED TEXT	14 WORDS	92% MATCHING TEXT	14 WORDS
<p>shall be liable to refund to the company remuneration received or monetary equivalent of</p>		<p>shall be liable to refund to the company any remuneration received or the monetary equivalent of</p>		
<p>W https://ebooks.lpude.in/management/mba/term_2/DMGT407_CORPORATE_AND_BUSINESS_LAWS.pdf</p>				
484/685	SUBMITTED TEXT	11 WORDS	95% MATCHING TEXT	11 WORDS
<p>by a special resolution and the approval of the Central Government,</p>		<p>by a special resolution and the approval of the Central Government.</p>		
<p>W https://ebooks.lpude.in/management/mba/term_2/DMGT407_CORPORATE_AND_BUSINESS_LAWS.pdf</p>				
485/685	SUBMITTED TEXT	12 WORDS	95% MATCHING TEXT	12 WORDS
<p>shall be liable to refund to the company any remuneration or</p>		<p>shall be liable to refund to the company any remuneration received or</p>		
<p>W https://ebooks.lpude.in/management/mba/term_2/DMGT407_CORPORATE_AND_BUSINESS_LAWS.pdf</p>				

486/685	SUBMITTED TEXT	13 WORDS	88% MATCHING TEXT	13 WORDS
<p>is appointed by the Central Government U/s 408 as a director of the Company.</p>		<p>is appointed by the Central Government, under s.408, as a director of the company.</p>		
<p>W https://ebooks.lpude.in/management/mba/term_2/DMGT407_CORPORATE_AND_BUSINESS_LAWS.pdf</p>				
487/685	SUBMITTED TEXT	16 WORDS	78% MATCHING TEXT	16 WORDS
<p>The term 'Sole Selling Agent' means an individual firm or company who or which is given</p>				
<p>SA 004_Business Environment.pdf (D142522848)</p>				
488/685	SUBMITTED TEXT	12 WORDS	100% MATCHING TEXT	12 WORDS
<p>He resigns his office on reconstruction or amalgamation of the company</p>		<p>he resigns his office on reconstruction or amalgamation of the company; (</p>		
<p>W https://ebooks.lpude.in/management/mba/term_2/DMGT407_CORPORATE_AND_BUSINESS_LAWS.pdf</p>				
489/685	SUBMITTED TEXT	15 WORDS	71% MATCHING TEXT	15 WORDS
<p>guilty of fraud or breach of trust or gross negligence in the conduct of</p>		<p>guilty of fraud or breach of trust in relation to, or of gross negligence in or gross mismanagement of the conduct of</p>		
<p>W https://ebooks.lpude.in/management/mba/term_2/DMGT407_CORPORATE_AND_BUSINESS_LAWS.pdf</p>				
490/685	SUBMITTED TEXT	12 WORDS	91% MATCHING TEXT	12 WORDS
<p>instigated or taken part directly or indirectly in bringing about termination of</p>		<p>instigated or has taken part directly or indirectly in bringing about the termination of</p>		
<p>W https://ebooks.lpude.in/management/mba/term_2/DMGT407_CORPORATE_AND_BUSINESS_LAWS.pdf</p>				
491/685	SUBMITTED TEXT	14 WORDS	89% MATCHING TEXT	14 WORDS
<p>exclusive rights to sell in a particular area the goods of the company concerned.</p>				
<p>SA 004_Business Environment.pdf (D142522848)</p>				
492/685	SUBMITTED TEXT	52 WORDS	89% MATCHING TEXT	52 WORDS
<p>Managing Director means a director who by virtue of an agreement with the Company or of a resolution passed by the company in general meeting or by its Board of Directors or by virtue of its memorandum or articles of association is entrusted with substantial powers of management which would not otherwise be exercisable by him</p>		<p>managing director' as a 'director' who, by virtue of an agreement with the company or of a resolution passed by the company in general meeting or by its Board of directors or, by virtue of its memorandum or articles of association, is entrusted with substantial powers of management which would not otherwise be exercisable by him.</p>		
<p>W https://ebooks.lpude.in/management/mba/term_2/DMGT407_CORPORATE_AND_BUSINESS_LAWS.pdf</p>				

493/685	SUBMITTED TEXT	14 WORDS	100% MATCHING TEXT	14 WORDS
includes a director occupying the position of a managing director by whatever name		includes a director occupying the position of a managing director, by whatever name		
<p>W https://ebooks.lpude.in/management/mba/term_2/DMGT407_CORPORATE_AND_BUSINESS_LAWS.pdf</p>				
494/685	SUBMITTED TEXT	51 WORDS	89% MATCHING TEXT	51 WORDS
Is an undischarged insolvent or has at any time been adjudged an insolvent. (b) Suspends or has at any time suspended, payment to his creditors or makes or has at any time, made a composition with them. (c) Is or has at any time been convicted by a Court of an offence involving moral turpitude.		is an undischarged insolvent or has at any time been adjudged an insolvent; (ii) suspends, or has at any time suspended payment to his creditors, or makes or has at any time made a composition with them; iii) is or has at any time, been convicted by a court an offence involving moral turpitude.		
<p>W https://ebooks.lpude.in/management/mba/term_2/DMGT407_CORPORATE_AND_BUSINESS_LAWS.pdf</p>				
495/685	SUBMITTED TEXT	19 WORDS	97% MATCHING TEXT	19 WORDS
In case of a public company or a private company which is a subsidiary of a public company, the		In the of a public company or a private company which is a subsidiary of a public company, the		
<p>W http://www.fimt-ggsipu.org/study/bba210.pdf</p>				
496/685	SUBMITTED TEXT	18 WORDS	52% MATCHING TEXT	18 WORDS
be made without the approval of the Central Government if the company is incorporated after the commencement of the		be made without the approval of the Central Government. The articles are the regulations of the		
<p>W https://ebooks.lpude.in/management/mba/term_2/DMGT407_CORPORATE_AND_BUSINESS_LAWS.pdf</p>				
497/685	SUBMITTED TEXT	13 WORDS	96% MATCHING TEXT	13 WORDS
public company or private company which is a subsidiary of a public company.		public company or private company which is a subsidiary of a public company,		
<p>W http://www.fimt-ggsipu.org/study/bba210.pdf</p>				
498/685	SUBMITTED TEXT	16 WORDS	90% MATCHING TEXT	16 WORDS
for their proper working should function as a single unit and have a common managing director (for their proper working that the companies should function as a single unit and have a common managing director.		
<p>W https://ebooks.lpude.in/management/mba/term_2/DMGT407_CORPORATE_AND_BUSINESS_LAWS.pdf</p>				

499/685	SUBMITTED TEXT	55 WORDS	95% MATCHING TEXT	55 WORDS
<p>Manager means an individual who subject to the superintendence, control and directions of the Board of Directors has the management of the whole or substantially the whole of the affairs of the company and includes a director or any other person occupying the position of manager by whatever name called and whether under contract of service or not. 4.55</p>		<p>manager means an individual who, subject to the superintendence, control and of the Board of Directors, has the management of the whole, or substantially the whole of the affairs of the company and includes a director or any other person occupying the position of a manager, by whatever name called and whether under a contract of service or not". 292</p>		
<p>W https://ebooks.lpude.in/management/mba/term_2/DMGT407_CORPORATE_AND_BUSINESS_LAWS.pdf</p>				
500/685	SUBMITTED TEXT	16 WORDS	55% MATCHING TEXT	16 WORDS
<p>the functions of manager or directly/indirectly takes part in the promotion, formation or management of any company</p>		<p>the functions of a director or manager, and shall also not directly or indirectly take part; or concern himself in the promotion, formation or management of any company.</p>		
<p>W https://www.bdu.ac.in/cde/SLM/SLM_FULL/MBA/MBA%20III%20Semester/Legal%20Aspects%20of%20Business.P ...</p>				
501/685	SUBMITTED TEXT	39 WORDS	47% MATCHING TEXT	39 WORDS
<p>convicted of any offence in connection with promotion or management of a company (b) in course of winding up has been (i) guilty of any offence for which he is punishable U/s 542 (ii) otherwise guilty while an officer of</p>		<p>convicted of an offence in connection with the promotion, formation or management of a or b) A who in the course of winding up of the company; i) Has been guilty of an offence punishable under section 542 of the Act, or ii) Has been guilty, while an officer, of</p>		
<p>W https://www.bdu.ac.in/cde/SLM/SLM_FULL/MBA/MBA%20III%20Semester/Legal%20Aspects%20of%20Business.P ...</p>				
502/685	SUBMITTED TEXT	47 WORDS	65% MATCHING TEXT	47 WORDS
<p>Every company shall keep at its registered office, proper books of account with respect to : 95 (a) All sums of money refunded and expended by the company and the matters in respect of which receipt and expenditure take place. (b) All sales and purchasers of goods by the company. (c)</p>		<p>every company shall keep at its registered office proper books of accounts with respect to: (a) All sums of money received and expended by the company and matters in respect of which and payments take place; (b) All sales and purchases of goods by the company; (c)</p>		
<p>W https://pdfcoffee.com/blaw-pdf-free.html</p>				
503/685	SUBMITTED TEXT	30 WORDS	77% MATCHING TEXT	30 WORDS
<p>to the registered office. The books of account must give a true and fair view of the state of affairs of the company or branch office as the case may be</p>		<p>to the company at its registered The books of the accounts give a true and fair view of the state of affairs of the company and branch office as the case may be.</p>		
<p>W https://pdfcoffee.com/blaw-pdf-free.html</p>				
504/685	SUBMITTED TEXT	13 WORDS	84% MATCHING TEXT	13 WORDS
<p>every officer who is in default is punishable with imprisonment for a term</p>		<p>every officer who is in default, shall be punishable with imprisonment for a term</p>		
<p>W https://www.bdu.ac.in/cde/SLM/SLM_FULL/MBA/MBA%20III%20Semester/Legal%20Aspects%20of%20Business.P ...</p>				

505/685	SUBMITTED TEXT	11 WORDS	100% MATCHING TEXT	11 WORDS
meeting the balance sheet and the profit and loss account.		meeting the Balance Sheet and the Profit and Loss Account		
W https://www.ddegjust.ac.in/studymaterial/bba/bba-201.pdf				
506/685	SUBMITTED TEXT	28 WORDS	63% MATCHING TEXT	28 WORDS
instead of profit and loss account. The profit and loss account relate. l. In the case of first annual general meeting to the period beginning with the incorporation of		instead of a profit and loss account. Period of accounts: The profit and loss account shall relate, in the case of the first annual general meeting of the company, to the period from the date of		
W https://pdfcoffee.com/blaw-pdf-free.html				
507/685	SUBMITTED TEXT	19 WORDS	84% MATCHING TEXT	19 WORDS
In the case of any subsequent annual general meeting to the period beginning with the day immediately after the		in the case of any subsequent annual general meeting of the company, to period beginning with the date immediately after the		
W https://pdfcoffee.com/blaw-pdf-free.html				
508/685	SUBMITTED TEXT	19 WORDS	75% MATCHING TEXT	19 WORDS
be punishable with imprisonment for a term extending to 6 months or with fine upto Rs. 10,000/- or with both (be punishable with imprisonment for a term extending to 1 year, or with fine extending to ` 4,000, or with both.		
W https://cacwacs.files.wordpress.com/2014/08/law-vol-1.pdf				
509/685	SUBMITTED TEXT	18 WORDS	60% MATCHING TEXT	18 WORDS
Particulars relating to utilization of material, labour and other items of cost, if so required by the Central Government.				
SA 004_Business Environment.pdf (D142522848)				
510/685	SUBMITTED TEXT	39 WORDS	89% MATCHING TEXT	39 WORDS
Every balance sheet of a company must give a true and fair view of the state of affairs of the company as at the end of the financial year. It shall be in the form set out in Part-I of Schedule-		Every balance sheet of a company give a true and fair view of the state of affairs of a company as at the end of the financial year. It must be in the form set out in Part 1 of Schedule		
W https://pdfcoffee.com/blaw-pdf-free.html				
511/685	SUBMITTED TEXT	23 WORDS	80% MATCHING TEXT	23 WORDS
balance sheet and profit and loss account of a company must be duly signed on behalf of the Board of Directors by the		balance sheet and profit and loss account of a Company shall be signed on behalf of the board of directors (i) In the		
W https://pdfcoffee.com/blaw-pdf-free.html				

512/685	SUBMITTED TEXT	15 WORDS	73% MATCHING TEXT	15 WORDS
<p>manager/secretary and not less than 2 directors one of whom shall be a managing director (</p> <p>W https://pdfcoffee.com/blaw-pdf-free.html</p>		<p>manager or secretary, if and by less than two directors of the company one of whom shall be a managing director.</p>		
513/685	SUBMITTED TEXT	14 WORDS	100% MATCHING TEXT	14 WORDS
<p>A copy of the balance sheet together with the profit and loss account</p> <p>W https://cacwacs.files.wordpress.com/2014/08/law-vol-1.pdf</p>		<p>a copy of the balance sheet, together with the profit and loss account,</p>		
514/685	SUBMITTED TEXT	11 WORDS	100% MATCHING TEXT	11 WORDS
<p>copies of the balance sheet and profit and loss account</p> <p>W https://www.ddegjust.ac.in/studymaterial/bba/bba-201.pdf</p>		<p>copies of the Balance Sheet and Profit and Loss Account</p>		
515/685	SUBMITTED TEXT	15 WORDS	85% MATCHING TEXT	15 WORDS
<p>to be filed with the Registrar within 30 days from the date on which the</p> <p>W https://pdfcoffee.com/blaw-pdf-free.html</p>		<p>to be filed with the Registrar within thirty days of the date on which the</p>		
516/685	SUBMITTED TEXT	38 WORDS	67% MATCHING TEXT	38 WORDS
<p>A report by the Board of Directors must be attached to every balance sheet laid before the company in general meeting. The report must deal with : (a) State of company's affairs. (b) Amounts, which it proposes to carry to reserves. (</p> <p>W https://pdfcoffee.com/blaw-pdf-free.html</p>		<p>A report by the board of directors shall be attached to every balance sheet laid before the company in general meeting. Contents of board's The board's report shall contain the following particulars: (a) state of the company's affairs; (b) the amounts, if any, which it proposes to carry to any reserves</p>		
517/685	SUBMITTED TEXT	36 WORDS	73% MATCHING TEXT	36 WORDS
<p>by way of dividend. (d) Material changes, affecting financial position of the company, which have occurred between the date of the balance sheet and date of report. 97 (e) Conservation of energy, technology absorption, foreign exchange earnings and outgo</p> <p>W https://pdfcoffee.com/blaw-pdf-free.html</p>		<p>by way of dividends; (d) material changes and commitments, if any, affecting the financial position of the company which have occurred between the end of the financial year to which the balance sheet relates and the date of the e) conservation of energy, technology absorption and foreign exchange earnings and outgo. [</p>		

518/685	SUBMITTED TEXT	46 WORDS	61% MATCHING TEXT	46 WORDS
<p>The Board's report must also deal with any changes which have occurred during the financial year : (a) In the nature of company's business (b) In the company's subsidiaries or in the nature of business carried on by them. (c) In classes of business in which the company has an interest.</p> <p>W https://pdfcoffee.com/blaw-pdf-free.html</p>		<p>The board's report shall also deal with any changes, which have occurred during the financial year (a) in the nature of the company's business; (b) in the nature of business carried on by the company's subsidiaries; and (c) generally in the classes of business in which the company has an interest. [</p>		
519/685	SUBMITTED TEXT	26 WORDS	85% MATCHING TEXT	26 WORDS
<p>The Board is also bound to give fullest information and explanations in its report on every reservation, qualification or adverse remark contained in the auditor's report.</p> <p>W https://pdfcoffee.com/blaw-pdf-free.html</p>		<p>The board is also bound to give the fullest information and explanations in its report or in an addendum to that report on every reservation, qualification or adverse remark contained in the auditor's report. [</p>		
520/685	SUBMITTED TEXT	20 WORDS	100% MATCHING TEXT	20 WORDS
<p>be signed by such number of directors as are required to sign the balance sheet and profit and loss account</p> <p>W https://pdfcoffee.com/blaw-pdf-free.html</p>		<p>be signed by such number of directors as are required to sign the balance sheet and profit and loss account. [</p>		
521/685	SUBMITTED TEXT	61 WORDS	60% MATCHING TEXT	61 WORDS
<p>hold office from the conclusion of that meeting to the conclusion of the next annual general meeting. The company must within 7 days of the appointment intimate every auditor so appointed [Sec. 244 (1)]. The auditor must within 30 days of the receipt of the intimation inform the Registrar in writing that he has accepted or refused to accept the appointment [Sec. 224 (1</p> <p>W https://pdfcoffee.com/blaw-pdf-free.html</p>		<p>hold office from the conclusion of that meeting the conclusion of the next annual general meeting. The company shall give intimation of appointment to auditor within seven days of the appointment. [Sec. 224(1)] Every auditor so appointed must give notice of his appointment to the Registrar of Companies within thirty of receipt of the intimation informing the Registrar that he has accepted or refused to accept the appointment. [Sec. 224(</p>		
522/685	SUBMITTED TEXT	27 WORDS	54% MATCHING TEXT	27 WORDS
<p>paid up capital less than Rs. 25 lakhs. 2. 20 companies of which not more than 10 are companies with paid up capital of Rs. 25 lakhs or more.</p> <p>W https://www.bdu.ac.in/cde/SLM/SLM_FULL/MBA/MBA%20III%20Semester/Legal%20Aspects%20of%20Business.P ...</p>		<p>paid-up share capital of less than 25 lakhs rupees. (2) Twenty companies-out of which not more than ten shall be companies having paid-up share capital of rupees 25 lakhs or more.</p>		
523/685	SUBMITTED TEXT	13 WORDS	82% MATCHING TEXT	13 WORDS
<p>He is not qualified for re-appointment. (b) He has given to the company</p> <p>SA 004_Business Environment.pdf (D142522848)</p>				

524/685	SUBMITTED TEXT	11 WORDS	83% MATCHING TEXT	11 WORDS
<p>his unwillingness to be re-appointed. (c) A resolution has been passed</p> <p>SA 004_Business Environment.pdf (D142522848)</p>				
525/685	SUBMITTED TEXT	31 WORDS	82% MATCHING TEXT	31 WORDS
<p>at an annual general meeting, the Central Government may appoint a person to fill the vacancy. The company must within 7 days of the Central Government's power becoming exercisable give notice of</p> <p>at an Annual General Meeting no auditors are appointed or re-appointed, the Central Government may appoint a person to fill the vacancy. The company shall, within seven days of the Central Government's power becoming exercisable, give notice of</p> <p>W https://www.bdu.ac.in/cde/SLM/SLM_FULL/MBA/MBA%20III%20Semester/Legal%20Aspects%20of%20Business.P ...</p>				
526/685	SUBMITTED TEXT	38 WORDS	65% MATCHING TEXT	38 WORDS
<p>The first auditors of the company are appointed by the Board of Directors within one month of its incorporation. The auditors so appointed shall hold office till the conclusion of the first annual general meeting. The company may at</p> <p>The first auditor or of company shall appointed by the board of directors within one month of the date of registration of the company. The auditor or auditors so appointed shall hold office until the conclusion of the first annual general meeting. The company may at</p> <p>W https://pdfcoffee.com/blaw-pdf-free.html</p>				
527/685	SUBMITTED TEXT	23 WORDS	61% MATCHING TEXT	23 WORDS
<p>notice has to be given to the members at least 14 days before the date of the meeting. If the Board fails to</p> <p>notice has been given to the members the company not less than fourteen days before the date of the meeting. if the board fails to</p> <p>W https://pdfcoffee.com/blaw-pdf-free.html</p>				
528/685	SUBMITTED TEXT	33 WORDS	50% MATCHING TEXT	33 WORDS
<p>vacancy is caused by the resignation of and auditor, the company shall fill up the vacancy in general meeting. Any auditor thus appointed holds office until the conclusion of the next annual general meeting [</p> <p>vacancy is caused by the resignation of an auditor, only the company in general meeting shall the vacancy. An auditor appointed in a casual vacancy shall hold office until the conclusion of the next Annual General Meeting.</p> <p>W https://www.bdu.ac.in/cde/SLM/SLM_FULL/MBA/MBA%20III%20Semester/Legal%20Aspects%20of%20Business.P ...</p>				
529/685	SUBMITTED TEXT	54 WORDS	94% MATCHING TEXT	54 WORDS
<p>appointing somebody instead of him or providing expressly that he shall not be re-appointed. 98 (d) Where notice has been given of an intended resolution to appoint some person or persons in the place of a retiring auditor and by reason of death, incapacity or disqualification of that person or persons the resolution cannot be proceeded with [Sec. 224(2)].</p> <p>SA 004_Business Environment.pdf (D142522848)</p>				

530/685	SUBMITTED TEXT	13 WORDS	96% MATCHING TEXT	13 WORDS
<p>the company in general meeting after obtaining previous approval of the Central Government [</p> <p>W https://www.bdu.ac.in/cde/SLM/SLM_FULL/MBA/MBA%20III%20Semester/Legal%20Aspects%20of%20Business.P ...</p>		<p>the company in general meeting, after obtaining the previous approval of the Central Government</p>		
531/685	SUBMITTED TEXT	31 WORDS	86% MATCHING TEXT	31 WORDS
<p>In case of a company in which not less than 25% of the subscribed capital is held whether singly or in combination with a public financial institution or a Government or</p> <p>W https://cacwacs.files.wordpress.com/2014/08/law-vol-1.pdf</p>		<p>in case of a company in which not less than 25 percent of the subscribed share capital is held, whether singly or in any by a public financial institution or a Government company or</p>		
532/685	SUBMITTED TEXT	14 WORDS	96% MATCHING TEXT	14 WORDS
<p>a nationalized bank or insurance company carrying on general insurance business, the appointment or</p> <p>W https://pdfcoffee.com/blaw-pdf-free.html</p>		<p>a nationalized bank or an insurance company carrying on general insurance business, the appointment or</p>		
533/685	SUBMITTED TEXT	16 WORDS	91% MATCHING TEXT	16 WORDS
<p>other than the retiring auditor or providing expressly that the retiring auditor shall not be re-appointed,</p> <p>W https://www.bdu.ac.in/cde/SLM/SLM_FULL/MBA/MBA%20III%20Semester/Legal%20Aspects%20of%20Business.P ...</p>		<p>other than the retiring auditor for providing expressly that the retiring auditor shall not be re-appointed [</p>		
534/685	SUBMITTED TEXT	19 WORDS	55% MATCHING TEXT	19 WORDS
<p>representation 99 read out at the meeting. If the auditor abuses this right to secure needless publicity for defamatory matter,</p> <p>W https://pdfcoffee.com/blaw-pdf-free.html</p>		<p>representation read out at the meeting. If the court satisfied that provisions of this section are being abused to secure needless publicity for defamatory matter,</p>		
535/685	SUBMITTED TEXT	31 WORDS	83% MATCHING TEXT	31 WORDS
<p>Auditor (Sec. 226) A person is not qualified for appointment as auditor of a company unless he is a Chartered Accountant within the meaning of the Chartered Accounts Act 1949. A firm</p> <p>W https://pdfcoffee.com/blaw-pdf-free.html</p>		<p>auditor A person shall not be qualified for appointment as auditor of a company unless he is a Chartered Accountant within the meaning of the Chartered Accountants Act, 1949. A firm</p>		
536/685	SUBMITTED TEXT	19 WORDS	86% MATCHING TEXT	19 WORDS
<p>the partners practising in India are qualified for appointment may be appointed by its firm name to be the</p> <p>W https://pdfcoffee.com/blaw-pdf-free.html</p>		<p>the partners practicing in India are qualified for appointment as aforesaid may be appointed by its firm name to be the</p>		

537/685	SUBMITTED TEXT	12 WORDS	100% MATCHING TEXT	12 WORDS
<p>be removed from office before the expiry of his term by</p> <p>SA 3 B.COM _ IV SEM _ 22DCBGL43 Company Law.pdf (D143464602)</p>				
538/685	SUBMITTED TEXT	18 WORDS	76% MATCHING TEXT	18 WORDS
<p>any other body corporate, which is that company's subsidiary or holding company or subsidiary of the company's holding company. 4.58.2</p> <p>W https://pdfcoffee.com/blaw-pdf-free.html</p>				
539/685	SUBMITTED TEXT	61 WORDS	69% MATCHING TEXT	61 WORDS
<p>Rights and Powers of Auditors [Sec. 227 (1)] Every auditor of the Company shall have the right of access at all times to the books of account and vouchers whether kept at the head officer or elsewhere and shall be-entitled to require from the officers of the company such information and explanation as the auditor may think necessary for the performance of his duties. 4.58.3</p> <p>W https://pdfcoffee.com/blaw-pdf-free.html</p>				
540/685	SUBMITTED TEXT	63 WORDS	93% MATCHING TEXT	63 WORDS
<p>The auditor shall make a report to the members of the company on the accounts examined by him and on every balance sheet and profit and loss account and on every document declared to be part of or annexed to the balance sheet or profit and loss account which are laid before the company in general meeting during his tenure of office. The report shall state (</p> <p>W https://pdfcoffee.com/blaw-pdf-free.html</p>				
541/685	SUBMITTED TEXT	27 WORDS	100% MATCHING TEXT	27 WORDS
<p>whether in his opinion and to the best of his information and according to the explanations given to him the said accounts give the information required by</p> <p>W https://pdfcoffee.com/blaw-pdf-free.html</p>				
542/685	SUBMITTED TEXT	32 WORDS	56% MATCHING TEXT	32 WORDS
<p>a true and fair view of 100 the company's affairs as at the end of the financial year and the profit and loss account of the profit and loss for its financial year (</p> <p>W https://pdfcoffee.com/blaw-pdf-free.html</p>				

543/685	SUBMITTED TEXT	12 WORDS	83% MATCHING TEXT	12 WORDS
<p>proper returns for the purposes of his audit has been received from</p> <p>W https://pdfcoffee.com/blaw-pdf-free.html</p>		<p>proper returns adequate for the purposes of his audit have been received from</p>		
544/685	SUBMITTED TEXT	26 WORDS	100% MATCHING TEXT	26 WORDS
<p>whether the company's balance sheet and profit and loss account dealt with by the report are in agreement with the books of account and returns [Sec. 227(2)].</p> <p>W https://pdfcoffee.com/blaw-pdf-free.html</p>		<p>whether the Company's balance sheet and profit and loss account dealt with by the report are in agreement with the books of account and returns. {Sec. 227(3)}</p>		
545/685	SUBMITTED TEXT	65 WORDS	87% MATCHING TEXT	65 WORDS
<p>company : (a) A body corporate. (b) An officer or employee of the Company. (c) A person who is a partner or who is in the employment of an officer or employee of the company. (d) A person who is indebted to the company for an amount exceeding Rs. 1,000/- or who has given any guarantee of any third person to the company for an amount exceeding Rs. 1,000/- (e) A person</p> <p>SA 004_Business Environment.pdf (D142522848)</p>				
546/685	SUBMITTED TEXT	17 WORDS	91% MATCHING TEXT	17 WORDS
<p>in the negative or with a qualification, the auditor's report must state the reason for the answer. 4.58.4</p> <p>W https://pdfcoffee.com/blaw-pdf-free.html</p>		<p>in the negative or with a qualification, the auditor's report shall state the reason for the answer. (</p>		
547/685	SUBMITTED TEXT	29 WORDS	93% MATCHING TEXT	29 WORDS
<p>Where the Central Government is of the opinion that : (a) The affairs of the company are not being managed in accordance with sound business principles or prudent commercial practices. (b)</p> <p>W https://pdfcoffee.com/blaw-pdf-free.html</p>		<p>Where the Central Government is of the opinion that (a) the affairs of any company are not being managed in accordance with sound business principles or prudent commercial practices; b)</p>		
548/685	SUBMITTED TEXT	23 WORDS	78% MATCHING TEXT	23 WORDS
<p>company is being managed in a manner likely to cause serious damage to the trade/industry/business to which it pertains. (c) The financial position of</p> <p>W https://pdfcoffee.com/blaw-pdf-free.html</p>		<p>company is being managed in a manner likely to use serious injury or damage to the interests of the trade, industry or business to which it pertains; c) that the financial position of</p>		

549/685	SUBMITTED TEXT	23 WORDS	86% MATCHING TEXT	23 WORDS
<p>company is such as to endanger its solvency. The Central Government may appoint a Chartered Accountant or the Company's Auditor to conduct the special</p>		<p>company is such as to endanger its solvency. The Central Government may appoint a chartered accountant or the company's auditor himself to conduct such special audit. The special</p>		
<p>W https://www.bdu.ac.in/cde/SLM/SLM_FULL/MBA/MBA%20III%20Semester/Legal%20Aspects%20of%20Business.P ...</p>				
550/685	SUBMITTED TEXT	26 WORDS	55% MATCHING TEXT	26 WORDS
<p>The special auditor have the 101 same powers and duties as an auditor of the company. But he has to make the report to the Central Government. 4.58.5</p>		<p>The special auditor shall have same powers and duties as the auditor of the company has the Act, except that he shall make his report to the Central Government</p>		
<p>W https://pdfcoffee.com/blaw-pdf-free.html</p>				
551/685	SUBMITTED TEXT	97 WORDS	70% MATCHING TEXT	97 WORDS
<p>a) Whether loans and advances made by the company have been properly secured and whether the terms of the loans are not prejudicial to the interests of the company or its members. (b) Whether transactions represented by book entries are not prejudicial to the interest of the company. (c) Where the company is not an investment or banking company, whether any of its assets - shares, debentures and other securities have been sold at a price less than its purchase price. (d) Whether loans and advances made by the company have been shown as deposits. (e) Whether personal expenses have been charged to revenue account. (f) Whether</p>				
<p>SA Sambalpur_MBA_SEM_2_Legal Aspects of Business_Merged.pdf (D156214893)</p>				
552/685	SUBMITTED TEXT	17 WORDS	83% MATCHING TEXT	17 WORDS
<p>must be either a cost accountant within the meaning of Cost & Works accountants Act 1959 or</p>		<p>must be either a cost accountant within the meaning of the Cost and Works Accountant Act, 1959, or</p>		
<p>W https://pdfcoffee.com/blaw-pdf-free.html</p>				
553/685	SUBMITTED TEXT	23 WORDS	82% MATCHING TEXT	23 WORDS
<p>shall have the same powers and duties as an auditor of the company. He shall make his report to the Central Government and</p>		<p>shall have the same powers and duties as the auditor of the company has under the Act, except that he shall make his report to the Central Government and</p>		
<p>W https://pdfcoffee.com/blaw-pdf-free.html</p>				
554/685	SUBMITTED TEXT	26 WORDS	42% MATCHING TEXT	26 WORDS
<p>a company engaged in production, processing, manufacturing or mining activities has been directed to include particulars relating to utilization of materials, labour or other items of cost</p>				
<p>SA 004_Business Environment.pdf (D142522848)</p>				

555/685	SUBMITTED TEXT	11 WORDS	100% MATCHING TEXT	11 WORDS
<p>on the ground that the company is unable to pay its debts.</p> <p>W https://ebooks.lpude.in/management/mba/term_2/DMGT407_CORPORATE_AND_BUSINESS_LAWS.pdf</p>		<p>on the ground that, the company is unable to pay its debts.</p>		
556/685	SUBMITTED TEXT	33 WORDS	47% MATCHING TEXT	33 WORDS
<p>other debenture holders of the same class. 2. He may appoint a Receiver if the conditions give him the power to do so. 3. He may apply to the Court for foreclosure of the company's right to redeem the debentures. 4.</p> <p>W https://cacwacs.files.wordpress.com/2014/08/law-vol-1.pdf</p>		<p>other debenture holders of the same class to obtain payment or enforce his security by sale. (ii) He may appoint a receiver if the conditions of the issue so permit. (iii) He may apply to the Court for closure of the company's rights to redeem the debentures.</p>		
557/685	SUBMITTED TEXT	23 WORDS	79% MATCHING TEXT	23 WORDS
<p>the debenture deed. 5. If the company is insolvent and his security is insufficient he may value his security and prove for the balance. 102 4.60</p> <p>W https://www.bdu.ac.in/cde/SLM/SLM_FULL/MBA/MBA%20III%20Semester/Legal%20Aspects%20of%20Business.P ...</p>		<p>the debenture trusts deed permits the sale. ? If the company is insolvent and his security is insufficient, he may value his security and prove for the balance.</p>		
558/685	SUBMITTED TEXT	22 WORDS	82% MATCHING TEXT	22 WORDS
<p>sue for his principal and interest. 2. He can petition U/s 439 for the winding up of the company by the court</p> <p>SA 004_Business Environment.pdf (D142522848)</p>				
559/685	SUBMITTED TEXT	26 WORDS	77% MATCHING TEXT	26 WORDS
<p>Fixed and Floating Charges A Fixed Charge is one which is created on some ascertained and definite property of the company i.e. charge on land and building.</p> <p>SA 004_Business Environment.pdf (D142522848)</p>				
560/685	SUBMITTED TEXT	11 WORDS	100% MATCHING TEXT	11 WORDS
<p>the company from dealing with that property without the consent of</p> <p>SA NOTES.docx (D143726320)</p>				
561/685	SUBMITTED TEXT	28 WORDS	44% MATCHING TEXT	28 WORDS
<p>a floating charge on the assets of the company. A floating charge crystallizes or gets fixed when : 1. Company goes into liquidation. 2. Company ceases to carry on business. 3.</p> <p>W https://www.ddegjust.ac.in/studymaterial/bba/bba-201.pdf</p>		<p>a fixed charge on the assets in the class charged at the moment of crystallisation A floating charge crystallises and becomes fixed in the circumstances given below : 1. When the company goes into liquidation, or 2. When the company ceases to carry on business,</p>		

562/685	SUBMITTED TEXT	33 WORDS	37% MATCHING TEXT	33 WORDS
<p>It is a charge on a class of assets of the company present & future. 2. That class is one, which in the normal course of business would be changing from time to time. 3.</p>		<p>It is a charge on a class of the s assets, present and future, that class one which, in the ordinary course of business is changing from time to time. (</p>		
<p>W https://cacwacs.files.wordpress.com/2014/08/law-vol-1.pdf</p>				
563/685	SUBMITTED TEXT	72 WORDS	62% MATCHING TEXT	72 WORDS
<p>A charge to secure any issue of debentures. 2. A charge on uncalled share capital. 3. A charge on any immovable property wherever situate or any interest therein. 4. A charge on book bebt. 5. A charge not being a pledge on any movable property. 6. A floating charge on any property including stock in trade. 7. A charge on cal ls made but not paid. 103 8. A charge on a ship or any share in a</p>		<p>A charge to secure any issue of debentures. (b) A charge on an uncalled share capital of the company. (c) A charge on an immovable property, wherever situated or any interest therein. (A charge on book debts of the company. (e) A charge, not being a pledge on any movable property of the company. (f) A floating charge on the undertaking or any property of the company including stock-in- trade. (g) A charge on made but not paid. (A charge on a ship or any share in ship. (i) A</p>		
<p>W https://cacwacs.files.wordpress.com/2014/08/law-vol-1.pdf</p>				
564/685	SUBMITTED TEXT	14 WORDS	87% MATCHING TEXT	14 WORDS
<p>must be filed with the Registrar within 30 days after the date of</p>		<p>must be filed with the Registrar within 30 days after the creation of</p>		
<p>W https://cacwacs.files.wordpress.com/2014/08/law-vol-1.pdf</p>				
565/685	SUBMITTED TEXT	19 WORDS	100% MATCHING TEXT	19 WORDS
<p>charge. A floating charge is an equitable charge, which is created on some class of property, which is constantly changing.</p>				
<p>SA 004_Business Environment.pdf (D142522848)</p>				
566/685	SUBMITTED TEXT	15 WORDS	76% MATCHING TEXT	15 WORDS
<p>the aggregate of the subscribed capital of the lending company and its free reserves. The</p>		<p>the aggregate of the paid-up-capital of the company and its free reserves. The</p>		
<p>W https://www.bdu.ac.in/cde/SLM/SLM_FULL/MBA/MBA%20III%20Semester/Legal%20Aspects%20of%20Business.P ...</p>				
567/685	SUBMITTED TEXT	14 WORDS	75% MATCHING TEXT	14 WORDS
<p>the aggregate of the subscribed capital of the lending company and its free reserves</p>		<p>the aggregate of the paid-up capital of the company and its free reserves.</p>		
<p>W https://www.bdu.ac.in/cde/SLM/SLM_FULL/MBA/MBA%20III%20Semester/Legal%20Aspects%20of%20Business.P ...</p>				
568/685	SUBMITTED TEXT	12 WORDS	100% MATCHING TEXT	12 WORDS
<p>Private company unless it is a subsidiary of a public company. 4. private company unless it is a subsidiary of a public company.</p>				
<p>W https://pdfcoffee.com/blaw-pdf-free.html</p>				

569/685	SUBMITTED TEXT	11 WORDS	100% MATCHING TEXT	11 WORDS
private company unless it is a subsidiary of a public company		private company unless it is a subsidiary of a public company.		
W https://pdfcoffee.com/blaw-pdf-free.html				
570/685	SUBMITTED TEXT	26 WORDS	76% MATCHING TEXT	26 WORDS
A Compromise may be proposed (a) between company & its creditors or any class of them (b) between company & its members or any class of them.		a compromise or arrangement is proposed (a) between a company and its creditors or any class of them; or (b) between a company and its members or any class of them;		
W https://pdfcoffee.com/blaw-pdf-free.html				
571/685	SUBMITTED TEXT	11 WORDS	90% MATCHING TEXT	11 WORDS
to supervise the carrying out of the arrangement and issue directions.		to supervise the carrying out of the compromise or arrangement and issue directions		
W https://pdfcoffee.com/blaw-pdf-free.html				
572/685	SUBMITTED TEXT	32 WORDS	66% MATCHING TEXT	32 WORDS
the following matters : 1. Transfer of the undertaking, property & liabilities of the transferor company to the transferee company. 2. Allotment or appropriation by the transferee company of any shares, debentures, policies or like		the following matters: 1. Transfer of the whole or any part of the undertaking, property or liabilities of one company to another. 2. The allotment or appropriation by the transferee company of any shares, debentures, policies or other like		
W https://pdfcoffee.com/blaw-pdf-free.html				
573/685	SUBMITTED TEXT	32 WORDS	84% MATCHING TEXT	32 WORDS
unless the Tribunal has received a report from the Registrar that the affairs of the company have not been conducted in a manner prejudicial to the interests of its members or public interest.		unless the court has received a report from the official that the affairs for the company have not been conducted in a manner prejudicial to the interests of its members or public interest. [
W https://pdfcoffee.com/blaw-pdf-free.html				
574/685	SUBMITTED TEXT	11 WORDS	100% MATCHING TEXT	11 WORDS
Give any guarantee or provide any security in connection with				
SA MBA-401 Business Law.pdf (D164737585)				
575/685	SUBMITTED TEXT	26 WORDS	50% MATCHING TEXT	26 WORDS
another has been approved within 4 months by the holders of not less than 9/10ths in value of shares of the transferor company, the transferee company; may				
SA NOTES.docx (D143726320)				

576/685	SUBMITTED TEXT	12 WORDS	100% MATCHING TEXT	12 WORDS
<p>registration inform the dissenting shareholders of the fact of such registration and</p> <p>W https://pdfcoffee.com/blaw-pdf-free.html</p>		<p>registration inform the dissenting shareholders of the fact of such registration and</p>		
577/685	SUBMITTED TEXT	48 WORDS	88% MATCHING TEXT	48 WORDS
<p>the Central Government is satisfied that it is essential in public interest that two or more companies should amalgamate it may by order notified in the official gazette provide for the amalgamation of those companies into a single company with such constitution, property, power, rights, interests, authorities and privileges and</p> <p>W https://pdfcoffee.com/blaw-pdf-free.html</p>		<p>the central Government is satisfied that it is essential in the public interest that two or more companies should amalgamate, it may, by order notify in the official Gazette provide for the amalgamation of these companies into a single company with such constitution, with such property, powers, rights, interests, authorities and privileges, and</p>		
578/685	SUBMITTED TEXT	12 WORDS	87% MATCHING TEXT	12 WORDS
<p>such liabilities, duties and obligations as may be specified in the order.</p> <p>W https://pdfcoffee.com/blaw-pdf-free.html</p>		<p>such liabilities, duties and obligation as may be specified in the order. 16.6</p>		
579/685	SUBMITTED TEXT	14 WORDS	85% MATCHING TEXT	14 WORDS
<p>opinion that : (a) The company's affairs are being conducted in a manner prejudicial</p> <p>W http://www.fimt-ggsipu.org/study/bba210.pdf</p>		<p>opinion (a) That the company's affairs are being conducted in a manner prejudicial</p>		
580/685	SUBMITTED TEXT	50 WORDS	94% MATCHING TEXT	50 WORDS
<p>public interest or in a manner oppressive to any member or members. (b) To windup the company would unfairly prejudice such member or members but that otherwise the facts would justify the making of a winding up order on the ground that it was just and equitable that the company should be wound up (</p> <p>W http://www.fimt-ggsipu.org/study/bba210.pdf</p>		<p>public interest or in a manner oppressive to any member or members: and (That to wind up the company would unfairly prejudice such member or members, but that otherwise the facts would justify the making of a winding-up order on the ground that it was just and equitable that the company should be wound up;</p>		
581/685	SUBMITTED TEXT	44 WORDS	65% MATCHING TEXT	44 WORDS
<p>within 2 months after the expiry of the above 4 months give notice to the dissenting shareholders that it desires to acquire their shares. Within one month of the notice, any dissenting shareholder may apply to the Tribunal. If no application is made to the</p> <p>SA NOTES.docx (D143726320)</p>				

582/685	SUBMITTED TEXT	24 WORDS	66% MATCHING TEXT	24 WORDS
<p>the affairs-of the company are likely to be 107 conducted in a manner prejudicial to public interest or interests of the company (Sec. 398). In the</p> <p>W https://pdfcoffee.com/blaw-pdf-free.html</p>		<p>the affairs of the company be conducted in a manner prejudicial to public interest or to the of the company. [Sec. 389 (1)]. The</p>		
583/685	SUBMITTED TEXT	30 WORDS	54% MATCHING TEXT	30 WORDS
<p>in a manner prejudicial to public interest or interests of the Company. (b) A material change has taken place in the management and control of the company and that by reason of</p> <p>SA 004_Business Environment.pdf (D142522848)</p>				
584/685	SUBMITTED TEXT	37 WORDS	67% MATCHING TEXT	37 WORDS
<p>member or members holding not less than 1/10 of the issued share capital of the company on which all calls and other sums due have been paid. In the case of a company not having a share capital,</p> <p>W http://www.fimt-ggsipu.org/study/bba210.pdf</p>		<p>member or members holding not less than one-tenth of the issued share capital of the company, that the applicant or applicants have paid all calls and other sums due on their shares; (in the case of a company not having a share capital,</p>		
585/685	SUBMITTED TEXT	28 WORDS	69% MATCHING TEXT	28 WORDS
<p>of members. The Central Govt. may if it in its opinion circumstances exists which make it just and equitable, so to do authorise any member or members to apply (</p> <p>W http://www.fimt-ggsipu.org/study/bba210.pdf</p>		<p>of them. Central Government may, if in its opinion circumstances exist which make it just and equitable so to do, authorize any member or members of the company to apply</p>		
586/685	SUBMITTED TEXT	20 WORDS	69% MATCHING TEXT	20 WORDS
<p>conduct of company's affairs, orders directing the purchase of shares of any members by other members or by the company,</p> <p>W https://www.bdu.ac.in/cde/SLM/SLM_FULL/MBA/MBA%20III%20Semester/Legal%20Aspects%20of%20Business.P ...</p>		<p>conduct of the company's affairs in The purchase of shares or interests of any members of the company by the other members or by the company</p>		
587/685	SUBMITTED TEXT	12 WORDS	95% MATCHING TEXT	12 WORDS
<p>aside any fraudulent preference made within 3 months before the date of application (</p> <p>W https://pdfcoffee.com/blaw-pdf-free.html</p>		<p>aside any fraudulent preference made within three months before the date of application.</p>		
588/685	SUBMITTED TEXT	21 WORDS	55% MATCHING TEXT	21 WORDS
<p>the Central Govt. may (1) appoint such number of directors for a specified period not exceeding 3 years at a time</p> <p>W https://pdfcoffee.com/blaw-pdf-free.html</p>		<p>The Central Government may appoint any number of directors in a company as it may deem fit, for a period not exceeding 3 years at a time.</p>		

589/685	SUBMITTED TEXT	17 WORDS	82% MATCHING TEXT	17 WORDS
direct the company to alter its articles so as to arrange for the election of its directors		direct the company to alter its Articles so as to arrange for the election of its directors		
W https://ebooks.lpude.in/management/mba/term_2/DMGT407_CORPORATE_AND_BUSINESS_LAWS.pdf				
590/685	SUBMITTED TEXT	19 WORDS	91% MATCHING TEXT	19 WORDS
Not less than 100 members or not less than 1/ 10th of the total number of members whichever is less. (
SA MBA SEM-I Business Law.pdf (D142212465)				
591/685	SUBMITTED TEXT	12 WORDS	100% MATCHING TEXT	12 WORDS
a) If the company has by special resolution resolved that the				
SA EBSL605 (1).docx (D142458880)				
592/685	SUBMITTED TEXT	37 WORDS	92% MATCHING TEXT	37 WORDS
wound by the Tribunal. (b) If default is made in delivering statutory report to the Registrar or in holding the statutory meeting. (c) If the company does not commence business within a year from its incorporation or suspends its business for				
SA 004_Business Environment.pdf (D142522848)				
593/685	SUBMITTED TEXT	47 WORDS	44% MATCHING TEXT	47 WORDS
A company is deemed to be unable to pay its debts in the following cases U/s 434 : 1. If a creditor for a sum of Rupees One Lakh has served on the company a demand for payment and the company for three weeks thereafter has neglected to pay or		A company will be deemed to be unable to pay its in the following conditions (Section 434) : (a) a creditor of more than has served, on the company at its registered office, a demand under his hand requiring payment and the company has for three weeks thereafter neglected to pay or		
W https://www.ddegjust.ac.in/studymaterial/bba/bba-201.pdf				
594/685	SUBMITTED TEXT	25 WORDS	64% MATCHING TEXT	25 WORDS
the number of members is reduced i.e. below 7 in case of public company and below 2 in case of private company. (e) If the company				
SA Business Legislation Notes (Indian-Legal-System).docx (D159771781)				
595/685	SUBMITTED TEXT	13 WORDS	95% MATCHING TEXT	13 WORDS
If execution or other process issued on a decree or order of				
SA Ravinder Kumar - Legal Aspects Of Business, 4Ed-Cengage India (2016).pdf (D142409269)				

596/685	SUBMITTED TEXT	33 WORDS	94% MATCHING TEXT	33 WORDS
<p>in favour of a creditor of the company is returned unsatisfied in whole or in part. 3. If it is proved to the satisfaction of the Tribune) that the company is unable to pay its debts. (</p>				
<p>SA Ravinder Kumar - Legal Aspects Of Business, 4Ed-Cengage India (2016).pdf (D142409269)</p>				
597/685	SUBMITTED TEXT	18 WORDS	55% MATCHING TEXT	18 WORDS
<p>of the previous 18 months, when the shares have developed on him through the death of a former holder. (</p>				
<p>W https://josephscollege.ac.in/lms/uploads/pdf/material/LEGAL_ASPECTS_OF_BUSINESS.pdf</p>				
598/685	SUBMITTED TEXT	41 WORDS	91% MATCHING TEXT	41 WORDS
<p>on the following grounds viz. when default is made in delivering the statutory report to the Registrar or in holding the statutory meeting, when the company does not commence its business within a year from its incorporation or 109 suspends its business for</p>				
<p>W https://josephscollege.ac.in/lms/uploads/pdf/material/LEGAL_ASPECTS_OF_BUSINESS.pdf</p>				
599/685	SUBMITTED TEXT	26 WORDS	72% MATCHING TEXT	26 WORDS
<p>If the Tribunal is of the opinion that it is just and equitable that the company be wound up e.g. when the substratum of the company</p>				
<p>SA Sambalpur_MBA_SEM_2_Legal Aspects of Business_Merged.pdf (D156214893)</p>				
600/685	SUBMITTED TEXT	10 WORDS	100% MATCHING TEXT	10 WORDS
<p>winding-up order unless it is satisfied that the voluntary winding-up</p>				
<p>W https://ebooks.lpude.in/management/mba/term_2/DMGT407_CORPORATE_AND_BUSINESS_LAWS.pdf</p>				
601/685	SUBMITTED TEXT	27 WORDS	84% MATCHING TEXT	27 WORDS
<p>On Hearing a winding up petition, the Tribunel may : 1. Dismiss it with or without costs. 2. Adjourn the hearing conditionally or unconditionally. 3. Make any interim order</p>				
<p>W https://ebooks.lpude.in/management/mba/term_2/DMGT407_CORPORATE_AND_BUSINESS_LAWS.pdf</p>				
602/685	SUBMITTED TEXT	9 WORDS	100% MATCHING TEXT	9 WORDS
<p>the company is unable to pay its debts. (f) If</p>				
<p>SA 004_Business Environment.pdf (D142522848)</p>				

603/685	SUBMITTED TEXT	27 WORDS	98% MATCHING TEXT	27 WORDS
<p>Where the petition is presented on the ground that it is just & equitable that the company should be wound up, the court may refuse to make</p>		<p>Where the petition is presented on the ground that, it is just and equitable that the company should be wound up, the court may refuse to make</p>		
<p>W https://ebooks.lpude.in/management/mba/term_2/DMGT407_CORPORATE_AND_BUSINESS_LAWS.pdf</p>				
604/685	SUBMITTED TEXT	48 WORDS	82% MATCHING TEXT	48 WORDS
<p>up instead of pursuing some other remedy. Where the petition is presented on the ground of default in delivering statutory report to the Registrar or in holding the statutory meeting, the Tribunal may instead of making winding-up order direct that the statutory report be delivered or that a meeting be held.</p>		<p>up instead of pursuing that other remedy." [s.443 (2)]. Where the petition is presented on the ground of default in delivering the statutory report to the Registrar or in holding the statutory meeting, the court may: (instead of making a winding up order, direct that the statutory report shall be delivered or that a meeting shall be held;</p>		
<p>W https://ebooks.lpude.in/management/mba/term_2/DMGT407_CORPORATE_AND_BUSINESS_LAWS.pdf</p>				
605/685	SUBMITTED TEXT	20 WORDS	88% MATCHING TEXT	20 WORDS
<p>Make an order for winding up of the company with or without cost or any other order as it thinks fit.</p>				
<p>SA EBSL605 (1).docx (D142458880)</p>				
606/685	SUBMITTED TEXT	28 WORDS	87% MATCHING TEXT	28 WORDS
<p>Institute or defend any suit, prosecution or legal proceeding in the name of the company. 110 (b) Carry on business of the company for its beneficial winding-up. (c) Sell company's property. (</p>				
<p>SA 004_Business Environment.pdf (D142522848)</p>				
607/685	SUBMITTED TEXT	20 WORDS	87% MATCHING TEXT	20 WORDS
<p>d) Sell whole of the undertaking of the company as a going concern. (e) Raise money on the security of</p>				
<p>SA EBSL605 (1).docx (D142458880)</p>				
608/685	SUBMITTED TEXT	20 WORDS	70% MATCHING TEXT	20 WORDS
<p>of the Tribunal : (a) Do all acts and execute in the name of the company all deeds, receipts & other documents. (</p>				
<p>SA EBSL605 (1).docx (D142458880)</p>				

609/685	SUBMITTED TEXT	27 WORDS	63% MATCHING TEXT	27 WORDS
<p>Draw, accept, make, endorse any negotiable instrument in the name of the company. (e) Take out in his official name, letters of administration to any deceased contributory</p>		<p>draw, accept, make and endorse any bill of exchange, hundi, promissory in the name and on behalf the company. 4) take out in his official name, letters of administration to any deceased contributory. 5)</p>		
<p>W https://www.bdu.ac.in/cde/SLM/SLM_FULL/MBA/MBA%20III%20Semester/Legal%20Aspects%20of%20Business.P ...</p>				
610/685	SUBMITTED TEXT	12 WORDS	100% MATCHING TEXT	12 WORDS
<p>into the public account of India in the Reserve Bank of India.</p>		<p>into the public account of India in the Reserve Bank of India</p>		
<p>W https://ebooks.lpude.in/management/mba/term_2/DMGT407_CORPORATE_AND_BUSINESS_LAWS.pdf</p>				
611/685	SUBMITTED TEXT	25 WORDS	69% MATCHING TEXT	25 WORDS
<p>Contributory means every person liable to contribute to the assets of the company in the event of winding-up. It includes holder of fully paid shares (</p>		<p>contributory' means every person who is liable to to the assets of the company in the event of its wound up. Section 428 it clear it includes holder of fully-paid shares.</p>		
<p>W https://pdfcoffee.com/blaw-pdf-free.html</p>				
612/685	SUBMITTED TEXT	22 WORDS	77% MATCHING TEXT	22 WORDS
<p>Inspect the records & returns of the company on the files of the Registrar. (c) Prove, rank & claim in the insolvency</p>				
<p>SA EBSL605 (1).docx (D142458880)</p>				
613/685	SUBMITTED TEXT	36 WORDS	47% MATCHING TEXT	36 WORDS
<p>liable to contribute to the assets of the company so far as it is necessary for payment of its debts & liabilities; costs, charges & expenses of winding-up; for adjustment of the rights of the contributors among themselves. 111</p>				
<p>SA EBSL605 (1).docx (D142458880)</p>				
614/685	SUBMITTED TEXT	21 WORDS	76% MATCHING TEXT	21 WORDS
<p>the amount remaining unpaid on the shares in respect of which he is liable. 2. In case of company limited by guarantee</p>				
<p>SA EBSL605 (1).docx (D142458880)</p>				
615/685	SUBMITTED TEXT	19 WORDS	60% MATCHING TEXT	19 WORDS
<p>ceased to be a member within a year before the commencement of winding-up) is not liable to contribute : (1)</p>		<p>ceased to be a member for one year or more before the commencement of winding up. 3) A past members NOT be liable to contribute</p>		
<p>W https://www.bdu.ac.in/cde/SLM/SLM_FULL/MBA/MBA%20III%20Semester/Legal%20Aspects%20of%20Business.P ...</p>				

616/685	SUBMITTED TEXT	35 WORDS	70% MATCHING TEXT	35 WORDS
<p>If he ceased to be a member for one year or upwards before the commencement of the winding-up. (2) In respect of any debt or liability of the company contracted after he ceased to be a member. (3)</p>		<p>if he has ceased to be a member for one year or more before the commencement of winding up. 3) A past members shall NOT be liable to contribute in respect of any debt or liability of the company contracted by the company after he CEASED to be a member. 282</p>		
<p>W https://www.bdu.ac.in/cde/SLM/SLM_FULL/MBA/MBA%20III%20Semester/Legal%20Aspects%20of%20Business.P ...</p>				
617/685	SUBMITTED TEXT	16 WORDS	90% MATCHING TEXT	16 WORDS
<p>Unless it appears to the court that the present members are unable to make the contributions</p>		<p>unless it appears to the court that the present members are Unable to satisfy the contributions. 2)</p>		
<p>W https://www.bdu.ac.in/cde/SLM/SLM_FULL/MBA/MBA%20III%20Semester/Legal%20Aspects%20of%20Business.P ...</p>				
618/685	SUBMITTED TEXT	12 WORDS	83% MATCHING TEXT	12 WORDS
<p>Voluntary winding-up means winding up by the members themselves or creditors</p>		<p>voluntary winding up means the winding up by the members or creditors</p>		
<p>W https://www.ddegjust.ac.in/studymaterial/bba/bba-201.pdf</p>				
619/685	SUBMITTED TEXT	15 WORDS	62% MATCHING TEXT	15 WORDS
<p>of the passing of the resolution for voluntary winding-up, it must be notified to the</p>		<p>of the passing of the resolution for winding up and shall be delivered to the</p>		
<p>W https://pdfcoffee.com/blaw-pdf-free.html</p>				
620/685	SUBMITTED TEXT	21 WORDS	100% MATCHING TEXT	21 WORDS
<p>A voluntary winding up is deemed to commence at the time when the resolution for winding-up is passed (Sec. 486). 112 4.71</p>		<p>A voluntary winding up is deemed to commence at the time when the resolution for winding up is passed [Sec.486].</p>		
<p>W https://pdfcoffee.com/blaw-pdf-free.html</p>				
621/685	SUBMITTED TEXT	18 WORDS	100% MATCHING TEXT	18 WORDS
<p>the amount undertaken to be contributed by him to the assets of the company in the event of</p>				
<p>SA EBSL605 (1).docx (D142458880)</p>				
622/685	SUBMITTED TEXT	14 WORDS	76% MATCHING TEXT	14 WORDS
<p>voluntary winding-up. The Declaration of Solvency must be made by a majority of the</p>		<p>voluntary winding up, the declaration of solvency's must be accompanied by a copy of the</p>		
<p>W https://pdfcoffee.com/blaw-pdf-free.html</p>				

623/685	SUBMITTED TEXT	29 WORDS	87% MATCHING TEXT	29 WORDS
<p>the Board that the company has no debts or that it will be able to pay its debts in full within 3 years from the commencement of the winding-up.</p>		<p>the that the company has no debts, or that it will be able to pay its debts in full within such not exceeding 3 from the commencement of the winding up</p>		
<p>W https://ebooks.lpude.in/management/mba/term_2/DMGT407_CORPORATE_AND_BUSINESS_LAWS.pdf</p>				
624/685	SUBMITTED TEXT	16 WORDS	86% MATCHING TEXT	16 WORDS
<p>In a voluntary winding-up if a declaration of Solvency is made, it is members voluntary winding-up.</p>				
<p>SA NOTES.docx (D143726320)</p>				
625/685	SUBMITTED TEXT	42 WORDS	44% MATCHING TEXT	42 WORDS
<p>must be made within 5 weeks immedi-ately preceding the date of the resolution for winding-up and must be delivered to the Registrar for Registration before that date. The declaration must be accompanied by a copy of the auditor's report on the profit & loss account,</p>				
<p>SA MBA SEM-I Business Law.pdf (D142212465)</p>				
626/685	SUBMITTED TEXT	15 WORDS	62% MATCHING TEXT	15 WORDS
<p>winding-up of the company in a general meeting of the company. 2. On the same day/</p>				
<p>SA COMPANY LAW - Dr.C.Sahila.pdf (D142738127)</p>				
627/685	SUBMITTED TEXT	40 WORDS	72% MATCHING TEXT	40 WORDS
<p>The liability of the present contributory is the amount remaining unpaid on shares held by him. A past contributory will be called upon to pay if .the present contributory is unable to pay. (ii) As to Creditors -A company may be wound-up (</p>		<p>The liability of a present member is the amount remaining unpaid on the shares held by him, while a past member can be called upon to pay if the present contributory is unable to pay. 2. Consequences as to Creditors: A company, whether or insolvent, can be wound up</p>		
<p>W https://pdfcoffee.com/blaw-pdf-free.html</p>				
628/685	SUBMITTED TEXT	21 WORDS	85% MATCHING TEXT	21 WORDS
<p>He may value his security and prove for the deficit. (3) He may surrender his security and prove for the whole</p>		<p>he may value his security and prove for the balance. In the alternative, he may surrender his security and prove for the whole</p>		
<p>W https://www.bdu.ac.in/cde/SLM/SLM_FULL/MBA/MBA%20III%20Semester/Legal%20Aspects%20of%20Business.P ...</p>				

629/685	SUBMITTED TEXT	24 WORDS	90% MATCHING TEXT	24 WORDS
<p>Consequences of Winding-up (i) As to Shareholders-A shareholder is liable to pay the full amount upto the face value of the shares held by him. 113</p> <p>SA COMPANY LAW - Dr.C.Sahila.pdf (D142738127)</p>				
630/685	SUBMITTED TEXT	17 WORDS	70% MATCHING TEXT	17 WORDS
<p>winding-up. (b) All wages or salary of any employee for a period not exceeding 4 months within</p> <p>winding up. (b) All wages or salary of any employee in respect of services rendered to the company and due for a period not exceeding 4 months within 12</p> <p>W https://pdfcoffee.com/blaw-pdf-free.html</p>				
631/685	SUBMITTED TEXT	11 WORDS	100% MATCHING TEXT	11 WORDS
<p>c) All accrued holiday remuneration becoming payable to any employee</p> <p>c) All accrued holiday remuneration becoming payable to any employee</p> <p>W https://pdfcoffee.com/blaw-pdf-free.html</p>				
632/685	SUBMITTED TEXT	12 WORDS	100% MATCHING TEXT	12 WORDS
<p>the company is being wound up voluntarily for the purpose of reconstruction</p> <p>the company is being wound up voluntarily for the purpose of reconstruction</p> <p>W https://pdfcoffee.com/blaw-pdf-free.html</p>				
633/685	SUBMITTED TEXT	11 WORDS	100% MATCHING TEXT	11 WORDS
<p>Act 1948 or any other law for the time being in force. (</p> <p>Act, 1956, or under any other law for the time being in force 3.</p> <p>W https://www.bdu.ac.in/cde/SLM/SLM_FULL/MBA/MBA%20III%20Semester/Legal%20Aspects%20of%20Business.P ...</p>				
634/685	SUBMITTED TEXT	32 WORDS	97% MATCHING TEXT	32 WORDS
<p>f) All sums due to any employee from a provident fund, a pension fund, a gratuity fund or any other fund for the welfare of employees maintained by the company. (g) Expenses of</p> <p>f) All sums due to any employee from a provident fund, a pension fund, a gratuity fund or any other fund for the welfare of the employees maintained by the company; (The expenses of</p> <p>W https://ebooks.lpude.in/management/mba/term_2/DMGT407_CORPORATE_AND_BUSINESS_LAWS.pdf</p>				
635/685	SUBMITTED TEXT	10 WORDS	100% MATCHING TEXT	10 WORDS
<p>is not carrying on business or is not in operation.</p> <p>is not carrying on business or is not in operation,</p> <p>W https://ebooks.lpude.in/management/mba/term_2/DMGT407_CORPORATE_AND_BUSINESS_LAWS.pdf</p>				

636/685	SUBMITTED TEXT	41 WORDS	92% MATCHING TEXT	41 WORDS
<p>As to servants & officers-A winding up order serves as a notice of discharge to the employees and officers of the company except when business of the company is being continued (Sec. 444). A voluntary winding-up also operates as notice of discharge. 4.73</p> <p>SA 004_Business Environment.pdf (D142522848)</p>				
637/685	SUBMITTED TEXT	11 WORDS	100% MATCHING TEXT	11 WORDS
<p>the Registrar has reasonable cause to believe that a company the registrar has reasonable cause to believe that a company</p> <p>W https://ebooks.lpude.in/management/mba/term_2/DMGT407_CORPORATE_AND_BUSINESS_LAWS.pdf</p>				
638/685	SUBMITTED TEXT	19 WORDS	62% MATCHING TEXT	19 WORDS
<p>a registered letter referring to the first letter. If no answer is received to the second letter within one month a registered letter referring to the first letter and stating that no answer thereto has been received and that, if an answer is not received to the second letter within one month</p> <p>W https://ebooks.lpude.in/management/mba/term_2/DMGT407_CORPORATE_AND_BUSINESS_LAWS.pdf</p>				
639/685	SUBMITTED TEXT	15 WORDS	76% MATCHING TEXT	15 WORDS
<p>of a company. If the company or any member or creditor feels aggrieved by the of the Company If a company or any member or any creditor feels aggrieved by the</p> <p>W https://ebooks.lpude.in/management/mba/term_2/DMGT407_CORPORATE_AND_BUSINESS_LAWS.pdf</p>				
640/685	SUBMITTED TEXT	18 WORDS	75% MATCHING TEXT	18 WORDS
<p>to the court. The court may order the name of the company to be restored to the register to the register the Court may pass an order that the name of the company be restored to the register.</p> <p>W https://www.bdu.ac.in/cde/SLM/SLM_FULL/MBA/MBA%20III%20Semester/Legal%20Aspects%20of%20Business.P...</p>				
641/685	SUBMITTED TEXT	31 WORDS	75% MATCHING TEXT	31 WORDS
<p>a certified copy of the Court's order being delivered to the Registrar for registration, the company is deemed to have continued in existence as if its name had not been struck off. 4.75 A certified copy of the court's order must delivered to the registrar and upon such delivery the company shall be deemed to have continued in existence as if its name had not been struck off.</p> <p>W https://ebooks.lpude.in/management/mba/term_2/DMGT407_CORPORATE_AND_BUSINESS_LAWS.pdf</p>				
642/685	SUBMITTED TEXT	13 WORDS	84% MATCHING TEXT	13 WORDS
<p>the Registrar shall strike off the name of the company from the register.</p> <p>SA EBSL605 (1).docx (D142458880)</p>				

643/685	SUBMITTED TEXT	10 WORDS	100% MATCHING TEXT	10 WORDS
<p>What are the provisions of the Companies' Act relating to</p> <p>W https://pdfcoffee.com/blaw-pdf-free.html</p>		<p>What are the provisions of the Companies Act relating to</p>		
644/685	SUBMITTED TEXT	13 WORDS	100% MATCHING TEXT	13 WORDS
<p>of a company. 2. Distinguish between a private company and a public company.</p> <p>SA Ravinder Kumar - Legal Aspects Of Business, 4Ed-Cengage India (2016).pdf (D142409269)</p>				
645/685	SUBMITTED TEXT	14 WORDS	76% MATCHING TEXT	14 WORDS
<p>Who is a promoter? Discuss his legal position in relation to the company,</p> <p>W https://ebooks.lpude.in/management/mba/term_2/DMGT407_CORPORATE_AND_BUSINESS_LAWS.pdf</p>		<p>Who is a promoter of a company? Discuss, citing legal cases, his legal position in relation to the company</p>		
646/685	SUBMITTED TEXT	13 WORDS	96% MATCHING TEXT	13 WORDS
<p>a prospectus or statement in lieu of prospectus with the Registrar of Companies. 21.</p> <p>W https://www.bdu.ac.in/cde/SLM/SLM_FULL/MBA/MBA%20III%20Semester/Legal%20Aspects%20of%20Business.P ...</p>		<p>a prospectus or a statement in lieu of prospectus with, the Registrar of Companies,</p>		
647/685	SUBMITTED TEXT	20 WORDS	89% MATCHING TEXT	20 WORDS
<p>certificate of incorporation is the conclusive evidence that all the requirements of the Companies Act have been complied with" -</p> <p>SA Ravinder Kumar - Legal Aspects Of Business, 4Ed-Cengage India (2016).pdf (D142409269)</p>				
648/685	SUBMITTED TEXT	28 WORDS	58% MATCHING TEXT	28 WORDS
<p>What restrictions have been imposed by the Companies Act on the allotment of shares? What are the effects of an irregular allotment? 27. What is the legal effect of</p> <p>W https://www.ddegjust.ac.in/studymaterial/bba/bba-201.pdf</p>		<p>What restrictions have been imposed by the Companies Act, 1956 on the allotment of shares ? What is the effect of irregular allotment? 2. What is a share certificate ? What is the object and effect of</p>		
649/685	SUBMITTED TEXT	17 WORDS	69% MATCHING TEXT	17 WORDS
<p>minimum subscription has not been subscribed or because a statement in lieu of prospectus has not been filed</p> <p>W https://www.bdu.ac.in/cde/SLM/SLM_FULL/MBA/MBA%20III%20Semester/Legal%20Aspects%20of%20Business.P ...</p>		<p>minimum subscription has not reached or a prospectus or statement in lieu of prospectus has not been filed.</p>		

650/685	SUBMITTED TEXT	12 WORDS	100% MATCHING TEXT	12 WORDS
share capital. How can the share capital of a company be		share capital. : 44 : 5. How can the share capital of a company be		
W https://pdfcoffee.com/blaw-pdf-free.html				
651/685	SUBMITTED TEXT	14 WORDS	89% MATCHING TEXT	14 WORDS
an allottee of shares who had applied for them on the faith of a				
SA 3 B.COM _ IV SEM _ 22DCBGL43 Company Law.pdf (D143464602)				
652/685	SUBMITTED TEXT	22 WORDS	73% MATCHING TEXT	22 WORDS
What is a statutory meeting? What is a statutory report and what are its contents? 41. What are the provisions regarding the				
SA MBA SEM-I Business Law.pdf (D142212465)				
653/685	SUBMITTED TEXT	13 WORDS	91% MATCHING TEXT	13 WORDS
the requirements under the Companies Act with respect to contracts in which directors		the requirements of the Companies Act with respect to contracts in which particular directors		
W https://ebooks.lpude.in/management/mba/term_2/DMGT407_CORPORATE_AND_BUSINESS_LAWS.pdf				
654/685	SUBMITTED TEXT	14 WORDS	96% MATCHING TEXT	14 WORDS
a floating charge? Distinguish it from a fixed charge. When does a floating charge		a floating charge and distinguish it from a fixed charge. When does a floating charge		
W https://www.ddegjust.ac.in/studymaterial/bba/bba-201.pdf				
655/685	SUBMITTED TEXT	25 WORDS	74% MATCHING TEXT	25 WORDS
How can a company make compromise or arrangement with its members and/or creditors without going into liquidation? 119 75. State the process of the Central Government		How can a company make a compromise or arrangement with its members and/or creditors without recourse to liquidation? 3. Discuss the powers of the central government		
W https://pdfcoffee.com/blaw-pdf-free.html				
656/685	SUBMITTED TEXT	20 WORDS	85% MATCHING TEXT	20 WORDS
and mismanagement of a company? 79. What remedies are available to the minority shareholders of a company against oppression or mismanagement? 80.		and mismanagement in a company. 3. What remedies are available to the minority shareholders of a company against oppression and mismanagement? 4.		
W https://pdfcoffee.com/blaw-pdf-free.html				

657/685	SUBMITTED TEXT	17 WORDS	100% MATCHING TEXT	17 WORDS
<p>What are the qualifications of a director? When is a person disqualified for appointment as a director of</p> <p>SA MBA-401 Business Law.pdf (D164737585)</p>				
658/685	SUBMITTED TEXT	24 WORDS	42% MATCHING TEXT	24 WORDS
<p>winding up shall be subject to the supervision of the Court? 86. What is the importance of the Declaration of Solvency in a voluntary winding up?</p> <p>winding up subject to the supervision of the Court? What are the advantages of a supervision order? What are the consequences of such a winding up? 18.14</p> <p>W https://pdfcoffee.com/blaw-pdf-free.html</p>				
659/685	SUBMITTED TEXT	18 WORDS	100% MATCHING TEXT	18 WORDS
<p>Who are the persons entitled to present a petition for the winding up of a company by the</p> <p>SA EBSL605 (1).docx (D142458880)</p>				
660/685	SUBMITTED TEXT	136 WORDS	82% MATCHING TEXT	136 WORDS
<p>The Consumer Protection Act, 1986 seeks to provide better protection of interests of the consumers and for that purpose to make provisions for establishment of consumer councils and other authorities for the settlement of consumers' disputes and for matters connected therewith. 2. It seeks to promote and protect the rights of consumers, such as :</p> <p>(a) The right to be protected against marketing of goods, which are hazardous to life and property. (b) The right to be informed about the quality, quantity, potency, purity, standard and price of goods to protect the consumer against unfair trade practices. (c) The right to be assured, wherever possible, access of variety of goods at competitive pnces. (d) The right to be heard and to be assured that consumers' interest will receive due consideration at appropriate forums. (e) The right to seek redressal against unfair trade practices cir unscrupulous exploitation of consumers and (f)</p> <p>SA Sambalpur_MBA_SEM_2_Legal Aspects of Business_Merged.pdf (D156214893)</p>				
661/685	SUBMITTED TEXT	24 WORDS	74% MATCHING TEXT	24 WORDS
<p>To provide steady and simple redressal to consumers' disputes, quasi-judicial machinery is sought to be set up at the district, state and central levels.</p> <p>SA Sambalpur_MBA_SEM_2_Legal Aspects of Business_Merged.pdf (D156214893)</p>				

662/685	SUBMITTED TEXT	39 WORDS	87% MATCHING TEXT	39 WORDS
<p>quasi-judicial bodies will observe the principles of natural justice and have been empowered to give reliefs of a specific nature and to award whatever appropriate compensation to consumers. Penalties for non-compliance of the orders given by the quasi-judicial bodies have also been provided.</p> <p>SA Sambalpur_MBA_SEM_2_Legal Aspects of Business_Merged.pdf (D156214893)</p>				
663/685	SUBMITTED TEXT	14 WORDS	100% MATCHING TEXT	14 WORDS
<p>Act, 1986 The salient features of the Act are as follows : 1. The Act</p> <p>SA Ravinder Kumar - Legal Aspects Of Business, 4Ed-Cengage India (2016).pdf (D142409269)</p>				
664/685	SUBMITTED TEXT	12 WORDS	83% MATCHING TEXT	12 WORDS
<p>of consumers. The Act provides for the establishment of Consumer Protection Councils</p> <p>SA Ravinder Kumar - Legal Aspects Of Business, 4Ed-Cengage India (2016).pdf (D142409269)</p>				
665/685	SUBMITTED TEXT	15 WORDS	73% MATCHING TEXT	15 WORDS
<p>The objects of the Councils are to promote and protect the rights of the consumers. 3.</p> <p>SA Sambalpur_MBA_SEM_2_Legal Aspects of Business_Merged.pdf (D156214893)</p>				
666/685	SUBMITTED TEXT	28 WORDS	78% MATCHING TEXT	28 WORDS
<p>by the Central Government. 4. The provisions of the Act shall be in addition to and not in derogation of any other law for the time being in force. 5.</p> <p>SA MBA-401 Business Law.pdf (D164737585)</p>				
667/685	SUBMITTED TEXT	20 WORDS	60% MATCHING TEXT	20 WORDS
<p>in the services, prices charged in excess of the prices fixed by or under any law or displayed on the goods/</p> <p>SA Ravinder Kumar - Legal Aspects Of Business, 4Ed-Cengage India (2016).pdf (D142409269)</p>				
668/685	SUBMITTED TEXT	28 WORDS	78% MATCHING TEXT	28 WORDS
<p>of the Act is to provide legal recognition for transactions carried out by means of electric data interchange and other means of electronic communication, commonly referred to as e-commerce,</p> <p>SA MBA SEM-I Business Law.pdf (D142212465)</p>				

669/685	SUBMITTED TEXT	19 WORDS	92% MATCHING TEXT	19 WORDS
<p>use of alternatives to paper-based methods of communication and storage of information to facilitate electronic filling of documents with the</p> <p>SA Ravinder Kumar - Legal Aspects Of Business, 4Ed-Cengage India (2016).pdf (D142409269)</p>				
670/685	SUBMITTED TEXT	32 WORDS	74% MATCHING TEXT	32 WORDS
<p>Trust; (d) A will including any other testamentary disposition; (e) Any contract for the sale or conveyance of immovable property and (f) Any other documents or transactions as may be decided by the Central Government.</p> <p>SA Ravinder Kumar - Legal Aspects Of Business, 4Ed-Cengage India (2016).pdf (D142409269)</p>				
671/685	SUBMITTED TEXT	13 WORDS	88% MATCHING TEXT	13 WORDS
<p>subscriber (i.e. a person in whose name the Digital Signature Certificate is issued)</p> <p>SA MBA SEM-I Business Law.pdf (D142212465)</p>				
672/685	SUBMITTED TEXT	26 WORDS	100% MATCHING TEXT	26 WORDS
<p>Electronic record means data record or data generated image or sound stored, received or sent in an electronic form or micro film or computer generated micro-fiche. Electronic</p> <p>SA 4th Semester_Business Regulatory Framework.pdf (D165314949)</p>				
673/685	SUBMITTED TEXT	17 WORDS	58% MATCHING TEXT	17 WORDS
<p>Any rule, regulation, order, byelaw or notification can be published in the Official Gazette or Electronic Gazette. The</p> <p>SA Ravinder Kumar - Legal Aspects Of Business, 4Ed-Cengage India (2016).pdf (D142409269)</p>				
674/685	SUBMITTED TEXT	17 WORDS	84% MATCHING TEXT	17 WORDS
<p>Ministry or Department of Central Government or the State Government or any Authority established under any law</p> <p>SA Ravinder Kumar - Legal Aspects Of Business, 4Ed-Cengage India (2016).pdf (D142409269)</p>				
675/685	SUBMITTED TEXT	38 WORDS	60% MATCHING TEXT	38 WORDS
<p>or by a person acting under his authority. An acknowledgement may be given by any communication by the addressee, automatic or otherwise. Even any conduct of the addressee, automatic or indicate to the addresser that the electronic record has been received</p> <p>SA Ravinder Kumar - Legal Aspects Of Business, 4Ed-Cengage India (2016).pdf (D142409269)</p>				












676/685	SUBMITTED TEXT	29 WORDS	56% MATCHING TEXT	29 WORDS
<p>The despatch of electronic records occur when it enters a computer resource outside the control of the originator (i.e. addresser). 123 Time of receipt of electronic record shall be determined</p> <p>SA Ravinder Kumar - Legal Aspects Of Business, 4Ed-Cengage India (2016).pdf (D142409269)</p>				
677/685	SUBMITTED TEXT	34 WORDS	96% MATCHING TEXT	34 WORDS
<p>the addressee. An electronic record is deemed to be despatched at the place where the addresser has his place of business and is deemed to be received at the place where the addressee has his place of business.</p> <p>SA Ravinder Kumar - Legal Aspects Of Business, 4Ed-Cengage India (2016).pdf (D142409269)</p>				
678/685	SUBMITTED TEXT	21 WORDS	97% MATCHING TEXT	21 WORDS
<p>the nature of the transaction, the level of sophistication of the Parties with reference to their technological capacity, the volume of transactions</p> <p>SA Ravinder Kumar - Legal Aspects Of Business, 4Ed-Cengage India (2016).pdf (D142409269)</p>				
679/685	SUBMITTED TEXT	18 WORDS	63% MATCHING TEXT	18 WORDS
<p>types of transactions or communications. Regulation of Certifying Authorities : The Central Government may appoint a Controller of Certifying</p> <p>SA Ravinder Kumar - Legal Aspects Of Business, 4Ed-Cengage India (2016).pdf (D142409269)</p>				
680/685	SUBMITTED TEXT	19 WORDS	80% MATCHING TEXT	19 WORDS
<p>of Certifying Authorities. Certifying Authority means a person who has been granted a license to issue a Digital Signature Certificate.</p> <p>SA Sambalpur_MBA_SEM_2_Legal Aspects of Business_Merged.pdf (D156214893)</p>				
681/685	SUBMITTED TEXT	19 WORDS	90% MATCHING TEXT	19 WORDS
<p>Certifying Authority. Digital Signature Certificate : Any person may make an application to the Certifying Authority for issue of Digital Signature Certificate.</p> <p>SA Ravinder Kumar - Legal Aspects Of Business, 4Ed-Cengage India (2016).pdf (D142409269)</p>				
682/685	SUBMITTED TEXT	11 WORDS	100% MATCHING TEXT	11 WORDS
<p>certify that it has complied with the provisions of the Act. The</p> <p>SA MBA SEM-I Business Law.pdf (D142212465)</p>				

683/685	SUBMITTED TEXT	13 WORDS	88% MATCHING TEXT	13 WORDS
<p>subscriber (i.e. a person in whose name the Digital Signature Certificate is issued)</p>				
<p>SA MBA SEM-I Business Law.pdf (D142212465)</p>				
684/685	SUBMITTED TEXT	16 WORDS	100% MATCHING TEXT	16 WORDS
<p>holds the private key corresponding to the public key listed in the Digital Signature Certificate and</p>				
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1 PREFACE In the curricular structure introduced by this University for students of Post-Graduate degree programme, the opportunity to pursue Post-Graduate course in Subject introduced by this University is equally available to all learners. Instead of being guided by any presumption about ability level, it would perhaps stand to reason if receptivity of a learner is judged in the course of the learning process. That would be entirely in keeping with the objectives of open education which does not believe in artificial differentiation. Keeping this in view, study materials of the Post-Graduate level in different subjects are being prepared on the basis of a well laid-out syllabus. The course structure combines the best elements in the approved syllabi of Central and State Universities in respective subjects. It has been so designed as to be upgradable with the addition of new information as well as results of fresh thinking and analysis. The accepted methodology of distance education has been followed in the preparation of these study materials. Co-operation in every form of experienced scholars is indispensable for a work of this kind. We, therefore, owe an enormous debt of gratitude to everyone whose tireless efforts went into the writing, editing and devising of proper layout of the materials. Practically speaking, their role amounts to an involvement in invisible teaching. For, whoever makes use of these study materials would virtually derive the benefit of learning under their collective care without each being seen by the other. The more a learner would seriously pursue these study materials the easier it will be for him or her to reach out to larger horizons of a subject. Care has also been taken to make the language lucid and presentation attractive so that it may be rated as quality self- learning materials. If anything remains still obscure or difficult to follow, arrangements are there to come to terms with them through the counselling sessions regularly available at the network of study centres set up by the University. Needless to add, a great part of these efforts is still experimental—in fact, pioneering in certain areas. Naturally, there is every possibility of some lapse or deficiency here and there. However, these to admit of rectification and further improvement in due course. On the whole, therefore, these study materials are expected to evoke wider appreciation the more they receive serious attention of all concerned. Professor (Dr.) Ranjan Chakrabarti Vice-Chancellor

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7 Unit 1 ppppp Nature and Scope of Production and Operations Management Structure 1.1 Introduction 1.2 Definition of Operations Management 1.3 The 'Operations Mix' 1.3.1 The Four P's of operations Management are as follows 1.4 Production and Operations 1.5 Questions 1.1 Introduction The success of an organization could be clearly visible through the choice of products or services that people opt while meeting their needs. We have seen people's choice for Nokia (while purchasing mobile phones) for their cost-effective innovative products or Godrej storewell for their durable range of products. The belief that marketing hype alone can bring success to any product is not correct. Organizations have to deliver the products and services that they have promised to the customers. Hence "Production" and "Operations" are at the forefront of manufacturing goods and of service delivery. This is true for all types of organizations such as manufacturing companies, service providers, public and government services and so on. Now-a-days, the role of operations has become increasingly important because the needs and wants of customers at a compressed time frame have increased. Ridderstale and Nordstrom in their book called Funky Business have described that the customers want both cheaper and better product/service, and they want it "Yesterday". Thus the objective of effective production and operations management would be: "To make available better and cheaper products/service and faster than before". 1.2 Definition of Operations Management The word operation signifies that it is what the organization does to meet the needs of a customer. It involves all spheres of activities that produce the organization's goods and services. In other words it can be defined as : Those set of activities concerned with acquisition of inputs (raw materials and other resources), their conversion into finished goods, and the delivery of that finished goods and services to the customer.

8 Operations Management describes the functional area responsible for designing, execution, managing, controlling and improving the operations that produce organization's goods and services. A key aspect of operations management is that it focuses on processes, i.e., the way we function. Operations management also describes the study of the different operations practices followed by organizations. It helps in benchmarking the processes that lead to organizational success. Operation management describes the tools and techniques to analyze the operation of an organization, in order to manage and improve the operations. That is, to give the firm a competitive advantage over the other. 1.3 The 'Operations Mix' The operations mix comprises of four Ps, namely, the Policy, Practices, Processes and Performance. These four elements describe the entire gamut of operations and production management . 1.3.1 The four P's of operations management are as follows As stated earlier, operations management focuses on processes. These processes are managed via the four 'P's of operations: Policies, Practices, Processes and Performance. These four key elements and their relationships can "no hyphen" be described as follows: Figure 1.1 Relationship amongst Policies, Practices, Processes and Performance Policies refer to the aim, objectives and strategies that the organization lay down and follow in order to achieve its mission. Thus the mission statement plays an important

9 role in articulating the organization's policies. It gives the aims and objectives. Strategy refers to the ways and means (how) the organization will meet its mission. Policies define the practices - the systems, procedures and technological capabilities that need to be followed and need to be in place within the firm, and, between the firm and its vendors (suppliers) and customers. Performance refers to the output measured in terms of time, cost, quality and quantity. It describes the deviations of organization's output from that of targeted levels of performance. The performance of an organization is dependent on practices and policies. Practices such as 'just-in-time' and policies such as 'anytime' customer care are likely to improve organization's performance. Process refer to bringing together the policies, practices and performance to transform the inputs to the desired outputs, that is, lead to value addition for satisfying customers' needs. 1.4 Production and Operations Both of these refer to transformation of inputs into Outputs. Operation describes the transformation process in more generic terms, that is, 'Service' transformation as well as 'Manufacturing' transformation. Production generally refers to transformation of raw materials into finished manufactured goods. Types of Operations Service Operation Manufacturing peration - Intangible - Tangible - Cannot resold - Can be resold - Cannot stored - Can be stored - Generally not (but producers might be) - Can be transported transported. - Production: Buyer/Customer takes part. - Seller/Manufacturer Only takes part in Production. - Usually cannot (but delivery system often - Can be exported. can) be exported. - Quality cannot be checked before being - Can be inspected Prior to delivery. delivered - Production & Consumption generally - Production precedes consumption. coincide

10 1.5 Questions Short Type Questions i) Define operations management ii) What are 4P's in operations management? iii) What is the relationship among Policies, Practices, Processes and Performance? Descriptive Type Questions i) Describe the four P's of operations management. ii) Distinguish between service operation and manufacturing operation.

11 Unit 2 ppppp Types of Manufacturing Systems and Layouts Structure 2.1 Introduction 2.2 Types of Manufacturing Systems (Process Types) 2.3 The Process Type Linkage 2.4 Examples of Different types of Processes 2.5 Flexible Manufacturing Systems (FMS) 2.6 Manufacturing Systems and Layouts 2.7 Questions 2.1 Introduction Manufacturing systems or in more generic term, operation processes are responsible for transforming the inputs (raw-materials) into the value added outputs (finished goods and services). The organizational strategies (to meet its mission) are operationalised (converted into reality) and produce and deliver the product/service offerings required. There are different types of processes (manufacturing systems) available for transformation of raw materials (inputs) into finished goods (outputs). Each type is associated with a particular combination of volume and variety. Volume refers to the quantity of products delivered while variety refers to the different types of products produced through a particular manufacturing system. Different physical layouts describe the actual placement of machines/ equipment or people that are used for manufacturing goods or delivering services. The type of manufacturing system (or operations process) determines the physical layout required for the transformation process. 2.2 Types of Manufacturing Systems (Process Types) There are five generic process types, namely, projects, job, batch, line and continuous. As stated earlier, each of these types distinguish themselves in-terms of volume and variety of goods that are produced. The broad differences of these types in terms of volume and variety are as follows :

12 Volume Variety Project Very Low High (Usually Unique) Job Low Moderate Batch Moderate Low Line High Very low Continuous Very High Minimal Figure 2.1 Different Process in terms of Volume and Variety As we go up the hierarchy, the specialization of the product increases. Unique products customized to meet particular specialized requirement are met through project type manufacturing systems. Voluminous production of goods with very less differentiation among the goods is the features of continuous - manufacturing systems. Manufacturing Characteristics (Process) types Project Highly flexed. Best suited for individualized outputs. High unit cost. Mobile and flexible resources viz. men, material and machines required quality is dependent on individual customer requirements. High set up cost. Job Volume generally higher than Project-type. Significant flexibility to meet particular job requirement, required. Some repetition in the system and some common elements exist. High unit costs relative to higher volume processes, but low set up cost. Batch Batch production describes a process that require some flexibility to meet the differences between batches. Some investment is required for set-up to each batch. Higher levels of specialization is required for machines as well as men.

13 Line It describes high volume production of goods and services with comparatively low variety (standardized products). It is dedicated to single product and causes difficulty in introducing new products using the existing line layout. Highly specialized men and machines are required, and products are of Low Unit Cost Systems have limited flexibility and the quantity levels are usually consistent. Continuous Process are set up to run without stopping-running all through the day, round the year. It is applicable for products that are totally standardized, power generation, steel production etc. It requires high investment/ capital cost. It is different from line production and can be stopped at a particular stage of production and the production process can be restored again without affecting the product. In continuous production, a process if stopped causes losses & difficulty for restarting. It has limited flexibility and are highly automated. 2.3 The Process Type Linkage 2.4 Examples of different types of processes 1. Projects : – Hooghly River Bridge Construction. – Damodar Valley Dam. – Konkan Railway Project. 2. Job : – Metro Rail System in Calcutta and New Delhi. – Ship building. – Book editor providing editing services to publishers. Similar to Project if Product is Unique -If volume is low it resembles job-processes -If volume is high, it resembles a line process. Similar except that Proces can No stoppage be Stopped of process & Restarted. Allowed Low Volume High Volume Project Job batch line Continuous Unique Project

14 3. Batch : – Printing of a similar document many times (in a discrete mode) – Wine production (Annual batch production of wine from grapes) 4. Line : – Manufacturing of automobiles. – Manufacturing of Computers. – Preparation of fast foods. 5. Continuous : – Power generation. – Steel production. – Chemical refining. 2.5 Flexible Manufacturing Systems (FMS) Manufacturing systems that are controlled and operated through the use of computers, enabling flexibility in manufacturing are referred to as Flexible Manufacturing Systems. A number of workstations, such as Computer Numerically Controlled machines are programmed for production of a product. A comprehensive Computer Control System coordinates all activities such as Control of Workstations, distribution of instructions to workstations, production and tool control, traffic control and system performance monitoring. The benefits of FMS are as follows : (i) Speed (ii) Flexibility in terms of rapid changes to products Machines are grouped in to FMS cells and these FMS cells are arranged around a group of products where some variety of the product is required even though volume is high. If the volume is high and product variability is low, then a line process would be most applicable. 2.6 Manufacturing Systems and Layouts. There is a close link between the type of manufacturing systems and layout. Layout refers to the arrangement of equipment, machinery and tools such that the flow of materials from one processing unit to another is not inhibited and at the same time the space and storage 15 requirement are optimized to produce goods within the standard time to complete each operation. Layout also takes into account the environmental and ergonomical factors for smooth operation. The different linkages between manufacturing systems and layout can be summarized as follows : n Apart from the choice of manufacturing systems, the layout is dependent on other factors of operation strategy, process characteristics, existing processes and suppliers. n Project and jobbing processes are primarily deployed in case of wide variety of products or designs, which can be customized for individual customers. Volumes are small or products may even be unique. In order to provide customized products/ solutions, product improvement may be required on a continuous basis. The organization obtains competitive advantage based on flexibility, including design and innovation. n On the other hand, Line and Continuous processes are associated with supply of high volume of narrow range of standard products. Making changes or introducing innovation takes longer than in project and job products, because the process is dedicated to specific products. The most common manufacturing process is batch. Firms focus on finding the optimum batch size, instead of taking care of customer service. New techniques such as Mass Customization and Agile Manufacturing offer a way of imitating the features of either jobbing or high volume process choices to batch production. 2. 7 Questions Short Type Questions i) What are the different. types of manufacturing systems? ii) How are manufacturing systems different in terms of volume and variety of production? iii) What is the linkage between manufacturing systems and layout? Descriptive Type Questions i) Describe the characteristics of the different manufacturing systems. ii) Explain flexible manufacturing system. iii) Explain the process type linkages.

16 Unit 3 ppppp Layouts Planning and Analysis Structure 3.1 Introduction 3.2 Process Layout 3.3 Product Layout 3.4 The Hybrid Process/Product Cell 3.5 Factors of Choice for Process Types 3.6 Trends in Process Design 3.6.1 Mass Customization 3.6.2 Agile Manufacturing 3.7 Questions 3.1 Introduction The manufacturing process describes the nature of tasks that needs to be performed. For example, will these be batch or project activities. The layout determines where and in what sequence activities that make up a process are located. In the following sections the four basic layout types - Fixed, Process, Product and Hybrid or Cell layouts would be discussed. The basic objectives behind any layout are the following :

- n To Minimize material handling to avoid wastage, damage, cost and time overrun.
- n To reduce steady work flow with no stakeouts & low inventory.
- n To shorter the turn round time of production.

In this type of layout the product involved in the production remains in one place whilst operations take place around it. Work persons come to the product (or to the production location) instead of the products moving between workers and/or job centres, and these workers carry out single or multiple activities to add value to a product or provide a service until completion. Fixed position layout are used in manufacturing of heavy and bulky products, fragile products such as ship and airplanes and most construction projects take place with the people and machines moving around the 'product'. Fixed position layouts are associated primarily with lower volume production but sometimes are also applicable in jobbing process (specialized contractors in construction) and batch processes (e.g. production of aircrafts, construction of multiple types of the same house on a housing development project).

17 3.2 Process Layout In this type of layout, specific types of operations are grouped together with the manufacturing or service facility. The workflow is not pre-specified. The products move from one operational point to another depending upon the requirements as shown below. Figure 3.1 Process Layout in a Functional Approach This layout type is generally deployed in precision engineering, production of furniture, high fashion clothing and jewellery. Process layouts are associated generally with jobbing production, where low volumes of products are manufactured to individual requirements. The layout may also be used in case of low volume batch production. Process layouts involve flexible equipment and works, so that stoppage or break down of a single operation does not lead to stoppage of whole process. As evident from the figure above, even with two products the manageability of workflow becomes difficult. This approach is, therefore, not the fastest at handling throughput and often requires people to pursue the progress of work at every stage, as the product may have to queue before an operational point or may be accorded lower priority compared to another product.

3.3 Product Layout In this type of layout, people (and machines) are dedicated to a single product or a very small range of similar products. The workstations are laid out in a sequence that matches the stage-wise requirements of the product. Each stage is separate from the next stage as :

18 Figure 3.2 Product Layout The output of one stage serves as input to the next stage. As such activity in one stage cannot be started unless the previous activity has already been completed. Product layout is generally associated with manufacturing process such as automobile assembly and other high volume applications. The overall layout could be in a straight line, or U or S shaped. The distance between the workstations is optimized in order to reduce material handling, and control flow of materials from one point to another. This ensures less wastage / damage, steady flow of work without any stock-outs and low work-in-Progress (WIP). The turn round time of production is dependent on the workstation with the lowest capacity. Moreover, stoppage of work at one workstation would lead to stoppage of the entire process.

3.4 The hybrid process/product cell In large and/or complex operations, the layouts described above, i.e., neither the process nor product layout can meet the requirements satisfactorily. The workstations are designed to accommodate a range of products and not a particular family. This leads to generalization of process characteristics resulting in lack of specialization in many components. The limitation has been overcome by adoption of cell manufacturing system. In this system, cells are designed to meet the needs of limited range of products. This ensures more focus on needs of customers rather than trying to meet a much wider range. The machines are grouped together in a cell to support the product of a single product family. In the figure below, U-Shaped cell layout with number of features is described. This layout allows one operator to carry out more than one function and to maintain all operations within sight of each other. This facilitates communication and control. Here

19 the operators are required to be multi-skilled and as such provides more flexibility than product layout. An important characteristic of a cell layout is that, firms benefit from team work where a small group of people work together with greater autonomy. Autonomy includes simplification of work procedures and schedules. In addition, it has been also observed that work moves faster through cells than in the case of traditional product layout, thus achieving short lead times. Cell manufacturing is associated with high-tech environments, where high volume and moderate variety can be achieved simultaneously. Figure 3.3 Cell Layout

3.5 Factors of Choice for Process Types There are basically two criteria for selecting a process type (Described by T. Hill, 1995).

- n Order Qualifying Criteria
- n Order Winning Criteria

20 The mapping of criteria of these two criteria may be described as follows

Process Type	Criteria
Order Winning	Quality, Delivery and Price Customisation
Job -do-	Price Batch Line Price Quality, Delivery and Customisation
Continuous	Price -do- Order Winning

Criteria refers to those criteria by which one can ensure the customer orders. Order Qualifying, criteria describes the 'necessary' (but not sufficient) conditions to participants in a tender.

3.6 Trends in Process Design Traditionally, industries resorted to mass production for organizing the production of high volumes of standardized products. In recent times, because of many market competitors or customers, there has been change in approaches to process design. These changes have been made possible through new technology, especially, application of computer and communication technology in manufacturing. The important two alternatives to traditional mass production are as follows

- n Mass customization.
- n Agile manufacturing.

3.6.1 Mass Customization This approach enables mass production of goods as per the choice made by a customer from among a finite number of alternatives. The operation can create and deliver goods according to customer's choice without incurring additional costs to change the output's design or appearance. The idea of this approach is to produce exactly what the customers wants in the quantity that he or she desires, for example, cellular phone, and computers. This process, therefore, combines the benefits of higher variety to customers, while retaining the benefits, in terms of costs, of mass production.

21 3.6.2 Agile Manufacturing It is an alternative approach to mass production or mass customization. This method tries to respond quickly and effectively to change in customer's demand, and also to be proactive in developing and retaining markets in the face of competitive forces. Mass customization aims at meeting the customer's demand while retaining the benefits of mass production. On the other hand, although agile manufacturing also aims at meeting market demand, it is being able to respond quickly to the changes. That is, in the today's world of rapid change in customer needs, agile manufacturing is better approach than mass customization. It is not only adoption of specific technology to meet the market demand; it involves deployment of agile strategy, processes linkages and people. Agile strategy describes the process for understanding the firm's position within its sector, committing to the required strategy, aligning it a fast moving market, and communicating and deploying it effectively. That is, it proposes a holistic approach towards mass production. Agile processes refer to the provision of facilities and processes that enables agile functioning of the firm. Agile linkages include dose working with and learning from the customers and vendors. Agile people comprises flexible and multi-skilled workforce that work in an environment that allow creativity and initiative. 3.7 Questions Short Type Questions i) What are the criteria for selecting a process? ii) What is a hybrid process? iii) What is the basic objectives behind any layout? Descriptive Type Questions i) Describe the process and product layout. ii) Explain what is meant by mass customization. iii) What are the benefits of cell layout? Describe in brief the cell layout.

22 Unit 4 ppppp Material Handling Structure 4.1 Introduction 4.2 Elements of Material Handling (MH) 4.3 Symptoms of Inefficient Material Handling 4.4 Basic Concept of Material Handling 4.5 The Principles of Material Handling 4.6 Material Handling Equipment 4.7 Questions 4.1 Introduction Material handling serves as a tool for cutting cost arising out of irregular pattern of arrival, congestion at receiving point, in efficient storage and fragmented quantities. Thus, the objectives of material handling are as follows :- u Reduced Cost u Reduce labour u Increase safety u Increase capacity u Reduce waste u Improve services u Enhance productivity 4.2 Elements of Material Handling (MH) The material handling equation is as follows Why Type of material to be handled Place (where it is to be moved) Time of movement Person responsible Method of MH to be used Why MH is required = What + Where + When + How + Who

23 That is, material handling is required to move a particular type of material to a particular place at the right time by using the right handling methods by the right persons. Hence the elements of material handling are as follows : 1. Material 2. Distance and movement 3. Time 4. Handling Methods 5. Human 4.3 Symptoms of inefficient material handling i. Back tracking in material flow path. ii. Built in hindrances to flow of materials. iii. Clustered aisles iv. Confusion at transportation points (e.g. docks) v. Disorganized storage vi. Excess scrap vii. Excessive handling of individual pieces viii. Excessive manual effort ix. Excessive walking x Failure to use gravity xi. Fragmented operations xii. High indirect labour cost xiii. Idle machines (Low utilization of machines) xiv. Inefficient use of skilled labour xv. Lack of parts and supplies xvi. long hauls xvii. Material piled up on the floor xviii. No standardization xix. Over crowding xx. Poor house keeping & inventory control xxi. Product damage xxii. Repetitive handling

24 4.4 Basic concept of material handling The three primary components of material handling include material, moves and method. The key input data required to describe these three components, are as follows:- u Product (what) u Quantity (how much) u Routing (where) u Support (with what back up) u Time (when and how long) The 5 (five) physical characteristics that affect movement of material (transportation) are as follows :- u Size u Weight / Density u Shape u Risk of damage u Condition Every move involves the following : - Pick up - Transport - Set down Or, in other words, it involves load-move-unload. Cost of material handling can be grouped under two categories:- Fixed (investment) cost - Variable (Operational) cost The greater the amount of goods moved, less is the cost per unit moved. The greater the variety of product or material, the greater is the cost per unit moved. The type of material, distances moved, terminal activities and the time of the movement quantity influence the cost of material handling. The cost of moving special type of material is highest while transporting uniform type of materials is the less. The cost per unit decreases with quantity. The cost decreases if the movement of goods are planned and scheduled, and the cost is maximum when the movement is made in an immediate or urgent basis without pre-scheduling.

25 4.5 The Principles of Material Handling Planning Principle : Material handling like any other subject requires planning. Planning is a process of deciding on the course of action to meet the desired goal. System Principles : A systematic approach to material handling leads to integration of all activities in the supply chain. Material flow principles : An organized flow of materials minimizes back tracking. Simplification Principles : Simplification of procedures and processes lead to effective material handling. Space utilization Principles : The flow of materials should not be inhibited with storage of materials while at the same time the utilization of space should be optimum. Unit Size Principle : Unit size of a material determines the time, cost and effectiveness of material handling. Irregular and non-uniform size leads to delayed and costly movement of materials. Mechanization Principles : Mechanization of movement of materials reduces the cost and time of movement and also reduces the risk of damage of materials. Gravity Principles : Movement of materials through use of gravity reduces time, cost of operation. Maximum benefit of gravity should be taken in moving materials. Equipment Selection Principles : Material-handling equipment differs with the type of materials. Selecting the right kind of equipment makes the handling effective. Standardization Principles : Standardization of material packaging and processes leads to effective material handling. Utilization Principles : Selection-of equipment and method of handling should be such that the utilisation of resources (men, material, machine and money) is optimum. Dead Weight Principles : Material handling should aim at reducing idle movement of equipment. Safety Principles : Material handling should follow principles of safety to reduce loss of life and damage to goods. Besides, other principles of material handling include maintenance, control, capacity, adaptability, performances and obsolescence principles.

26 4.6 Material Handling Equipment Material handling equipment can be classified as follows :- – Fixed path moving equipment – Variable path moving equipment – Fixed at a point equipment Another way of classifying material handling equipment is on the basic cost of using equipment. Some equipment are economical for shorter distances, limited movement while some are economical for longer distances. Some equipment have low fixed cost but high variable cost while some have high fixed cost and low variable cost. In view of factors such as distance and intensity of flow of materials the equipment can be classified as follows :- Simple handling equipment: These are suitable for short distances and low intensity (e.g.2 wheel Hand Truck). Complex handling equipment : These type of equipment are suitable for short distances and high intensity (e.g. Fork Lift Trucks, Top Lift Trucks). Simple Travel Equipment : These are suitable for long distances and low intensity (Trucks). Complex Travel Equipment : These are suitable for long distances and high intensity (e.g., Electronic Controlled Tractor-Trailer). 4.7 Questions Short Type Questions i) What are the symptoms of inefficient material handling? ii) What do you understand by: a) Material flow principle b) Space utilization principle. iii) What is the- different types of material handling equipment? . iv) What are the elements of material handling? Descriptive Type Questions i) Explain the three primary components of material handling. ii) Explain the principles of material handling.

27 Unit 5 ppppp Production Planning and Control Structure 5.1 Introduction 5.2 Continuous and intermittent production 5.3 Intermittent Production 5.4 Questions 5.1 Introduction Planning refers to future course of action in order to achieve the desired goal. It aims at identifying the targets, constraints and the strategies and programmes to carry out production process and operations. Planning could be for shorter, (less than one year), medium (one to three years) or longer (more than three years or so) duration. The production planning process could be described as follows : Forecasting : It refers to prediction of future requirements namely, type, quantity, and quality of product. This in turn would lead to forecasting of production process.

Order writing : It means assigning

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authority to one or more persons to undertake a particular job. Product design :		

It refers to deciding on the layout of the product and arrangement of production process. The deliverables of this stage include plan and drawings, bill of materials and specifications. Process planning (and routing) : It involves determination of the most economical method of performing an operation or activity. Material planning : The planning of material requirement that are directly or indirectly used in the production process. Several techniques such as, MRP, MRP II, JIT etc. are used for the purpose.

28 Tool Planning : It refers to determination of tool requirement for the proposed production process. Loading : It means assignment of job to manpower and other resources. Scheduling : It refers to sequencing and timing of the jobs. It involves programming of the entire work so as to complete the job in the right time. 5.2 Continuous and intermittent production Continuous production involves a continuous or almost continuous flow of materials and outputs. As discussed earlier, this mode of production is suitable and applied in manufacture of standardized items in large quantities. It makes use of special purpose machines. Manufacture of nuts and bolts, standard spare parts and components, cigarettes, cement, and chemicals are examples of continuous production. Continuous production system can be divided into two categories. These are as follows : i) Mass and flow line production ii) Continuous or process production Mass and flow line production Ford was first to introduce mass production in recent times.

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The idea was first developed in Venice several hundred years earlier, where ships were mass-produced using pre- manufactured parts, and assembly lines. The Venice Arsenal apparently produced nearly one ship every day, in what effectively the world's first factory		

that, at its height, employed 16,000 people. Mass production refers to production of standardized items in large quantities using specialized machines. The manufacture involves one or more operations on the raw material on one machine (a special purpose machine). Manufacture of nuts and bolts and plastic products are some of the examples of mass production. Flow production, on the other hand, refers to continuous production of standardized items in large quantities in stages involving more than one machine. Examples of flow production are, manufacture of TV, motorcycles etc.

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The economics of mass production come from several sources. The primary cause is a reduction of nonproductive effort of all types. In mass production,		

since special purpose machines are used, and that

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each worker repeats one or a few related tasks that use the same tool to perform identical or almost identical operations on a stream of products. The exact tool and parts are always at hand.		

The worker spends no time in going and getting them.

29 The salient characteristics of Mass and flow line production are as follows : u The machines are arranged as per sequence of production. u Mass production systems are usually organized in

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assembly lines. The assemblies pass by on a conveyor, or if they are heavy, hung from an overhead monorail. u In a

production centre

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for a complex product, there may be many auxiliary assembly lines feeding sub-assemblies (i.e. car engines or seats) to a backbone "main" assembly line.

u The flow of work is balanced and the time to reset machines are minimum. u Material handling is optimized. u Work in progress is small compared to intermittent production u Work cycles are short and repetitive u Factory can purchase very large amount of materials. This reduces the overhead costs (shipping, purchasing negotiations, paperwork, etc.) associated with purchasing the parts. u The cost of production per unit is lowest. u Division of labour and application of time study is possible. Continuous or process production Continuous or process production involves production of products that has continuous demand. This is due to the fact that most of the jobs are routine enough and can be easily automatized. Continuous production is a method used to produce or process any product continuously. There is no discrete rate to which goods are produced, as opposed to a batch production process, or a one-time production. Examples of continuous production are the production processes for electricity, chemicals, pens, paper, cars and computers etc. The salient characteristics of Continuous or process production are as follows : u Plant layout is as per the production process. u Most of the operation including handling is automated. By employing certain PLC controls and automated controls, we can reduce the chances of error (thereby delays/ downtime) due to human intervention. So there is a lot of scope for conveyors, elevators, feeders etc for transporting raw materials, inprocess materials etc in continuous process industries. u Maintenance of machinery, which is a very important factor in any manufacturing industry, in case of continuous process plants calls for online maintenance which requires very high alertness and response time from the concerned technicians.

30 u Both types of workers, namely, semi-skilled and skilled are employed. 5.3 Intermittent Production An intermittent production involves intermittent flow of materials. It makes use of general purpose machines and produces varied components/products in small quantities. Intermittent production system can be divided into two categories : i)

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Batch production, and ii) Job production. Batch production Batch production is a method used

to produce or process any product in groups that are called batches. Example of batch production are manufacture of drugs, clothes, paints, inks, adhesive and can be found in a bakery. There are inefficiencies associated with batch production. The

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production equipment must be stopped, re-cogfigured, and its output tested, before the next batch can be produced.

The salient characteristics of batch production are as follows : u Plant layout is of process type u Products are manufactured in batches as per order u Process and product planning is done for each batch u Flow of material is intermittent u Makes use of general purpose machines u Production is done in small quantities u

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Batch production reduces initial capital outlay because a single production line can be used to produce several products. u Batch production can be useful for small businesses who cannot afford to run continuous production lines. u Orgnisations can use batch production as a trial run. If a retailer buys a batch of a product and people don't buy them then the producer can cease production without having to sustain huge losses.

Job order production This is a type of intermittent production. Each job order is different from the previous order with regard to type, specifications, quality and quantity. The examples of job

31 order are manufacture of a large turbo-generator, special electronic equipment, special type material handling equipment, etc. The salient characteristics of job order production are as follows : u Flow of material is intermittent u Division of labour is not economical. u Product design is made as per order and takes time. u Prior planning is difficult. Scheduling is done for each component of the product. u General-purpose machinery and flexible layout are preferred u Skilled workers and factory made special attachment or accessories provide flexibility. u High degree of control is required. u Batch size is small. Job shop A job shop consists of a number of machine centers, each of these work centers Performs different activities. A job shop can produce a variety of jobs in small batches as per job orders. The flow of material is as per job, and not sequential or in any fixed path. The work-in-progress follows different processing patterns in batches through the shop facilities. The machines are of general-purpose type with provisions to use special tools, fixtures and gadgets to meet the production requirement. Thus, different jobs can be performed with the same basic machinery. A job shop also employs highly skilled workers. A Closed Job Shop A closed job shop is one that is closed to job orders from outside the organisation. That is, it produces products of standard design that have demand in the market. The same items are manufactured repetitively in cycles. For example, manufacture of automobile parts or computer components that are of standard design. An Open Job Shop An open job shop is one that makes to order. The orders may not be repeated. An open job shop produces as per requirements of the customer. There may be even one

32 product of larger dimension similar to a project. (for example, manufacture of a special heat treatment furnace). 5.4 Questions Short Type Questions i) What do you understand by forecasting? What is its usefulness? ii) Under what conditions job shop production is suitable? iii) What are closed job shop and open job shop? iv) What type of layout is used in batch production and why? v) Distinguish between continuous and intermittent production. vi) Explain the meaning of loading and scheduling. Descriptive Type Questions i) Describe the production planning process. ii) Describe the characteristics of mass production. iii) Compare the characteristics of batch and continuous process production. iv) Describe a job shop.

33 Unit 6 Capacity Planning Structure 6.1 Introduction 6.2 Defining Capacity 6.3 Measuring Capacity 6.4 Questions 6.1 Introduction Like other policy decisions, capacity decisions are one of the key policy decision area for operation. This involves making trade-offs between investing in resources for production and making the optimal use of these resource. Good capacity management ensures that the firm does not make promises to the customers that it cannot deliver. On the one hand, investment on facilities, technology and people are expensive and requires time to acquire or create, on the other hand, these resources, may be idle and wasted if they are not in demand and at the same time sales may be lost if goods are not variable when needed by the customers. 6.2 Defining Capacity Capacity may be described as the level of output that the firm can attain over a specified period of time. Capacity can be defined in following ways:- I Theoretical Capacity It is the maximum level of output that can be achieved if the resources are used fully. That is utilising the resources in 24x7 basis (24 hrs. for all 7 days in a week throughout the year). This is the theoretical capacity, which is unrealistic. I Design Capacity This is the level of output that the operation was designed to have. It takes into consideration the pre and post operation time, time for preventive maintenance and includes other allowances for planned non-productive time. But it does not account for unplanned productive time such as stoppages in operation due to shortages of men to material, weather condition, equipment breakdown or transportation disruption. I Actual Capacity This is the level of output that can be actually achieved after considering the planned and unplanned productive time.

34 6.3 Measuring Capacity In manufacturing operations capacity is generally measured in terms of the maximum number of physical units of goods that can be produced during a given period of time. In service operations, capacity is measured in terms of potential to provide services to the customers in a given period of time. It is defined as the potential, because the firm has to wait for the customers to arrive (and hence cannot pre-perform operations to keep services ready to deliver on arrival of customers) and they often operate below capacity. For example, hotels might measure their capacity in terms of number of rooms, since they cannot be sure that customers will turn up to fill them. So if there are, say, 200 rooms, the hotel has the potential to provide services to 200 customers. In non- profit organisations, e.g. Universities, Libraries etc., capacity is measured in terms of the level of outputs relative to the level in inputs. The level of inputs serve as the limit to the output the organisations can produce or the services it can provide e.g. the capacity of Library may be measured in terms of number of books it holds, rather than the number of members it can serve. equally, the duration of Library Hours indicates the timing capacity that is available to the readers. Thus, number of books and opening hours are level of inputs which determines the number of readers (Output), hence the capacity of the Library. Inputs to capacity :- The capacity of an Organisation is dependent on the following factors u Facilities u Technology u Workforce u Financial and other resources Facilities : The facilities of an Organisation are dependent on the following factors. Facility Location : Centralised facility has the advantage of ease of managing, but may be limited to the capacity. Instead, decentralised production of service facility enhance the capacity of the firm e.g. a centralised bank with no branches and ATMs as against a bank with multiple branches and ATMs. The decision of a firm to centralise its operations in a single large facility or to invest in multiple facilities, will depend on the market, the firms want to serve and the resources available to the firm. Size of Facility : Firms often try to achieve the economies of scale in order to minimise the average cost

35 per unit of output. But at the same time, the size of the facility is also dependent on the level of the market demand. Thus, if the capacity is based on the economies of scale while the demand less than the designed capacity there would be under utilisation of capacity. Facility layout : The layout of facility also determines capacity of the organisation. Technology : The capacity of a firm is dependent on the technology it uses. It includes the investments in machines, equipment, information technology and technological know-how. Workforce : The size and capabilities of the workforce is one of the major determinants of a firm's capacity. Highly skilled and trained workforce results it enhanced capacity. Deploying workforce on overtime or outsourcing the work to outside agencies may increase capacity. The capacity of the workforce in an organization can be measured by the technique called 'Work-Study'. Work-Study comprises method study and work measurement. Financial and other resources : Availability of financial resources determines the organisation's ability to acquire inputs and distribute output. Thus, it is a determinant of the organisation's capacity. Financial Resources are required for purchasing inputs, equipment and facilities and for hiring workforce and hence its availability may limit capacity. Other inputs in themselves, may be limited, e.g. a firm may require funds to set up a diamond processing plant; on the one hand, the availability of financial resources may limit the capacity of the firm, while on the other hand, the amount of (diamond) raw materials may also be limited. These factor limit the capacity of the firm to produce finished diamonds.

6.4 Questions
Short Type Questions i) Define capacity. ii) What is the significance of workforce in capacity planning? iii) How does technology affect capacity? Descriptive Type Questions i) What are inputs to capacity? Describe in brief ii) Describe the capacity planning process.

36 Unit 7 ppppp Process Planning, Scheduling and Work Study Structure 7.1 Process Planning 7.2 Scheduling 7.2.1 Schedule tools 7.2.2 Factors affecting scheduling 7.2.3 Dispatching 7.3 Work Study 7.3.1 Method Study 7.3.2 Work Measurement 7.3.3 Work Sampling 7.4 Questions 7.1 Introduction Planning describes the activities that take place in order for the transformation process to occur. It involves determination of the most economical method of performing an operation or activity. The stages in process planning are as follows: 1. Process choice : As described in earlier section the different types of processes are namely, project, job, batch, line and continuous process. These processes have different characteristics and as such require separate approaches in process planning. The choice of process depends upon the following factors : a) Ongoing jobs and production commitments b) Delivery date c) Quantity of production d) Customization and quality standards 2. Material selection : The right type and quantity of material should be selected to meet the customer's demand and optimize material consumption. 3. Capacity planning : Capacity required to produce finished goods within a specified time is determined. Capacity planning involves selection and acquisition of right kind of equipment. The selection should be such that it ensures higher production rate, lower production cost, and enable production of desired type of product. 4. Work scheduling : Scheduling refers to

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when and in what sequence the work will 37 be done. It involves		

programming of the entire work so as to complete the job in the right time., Thus the planning cycle can be represented as follows :

7.2 Scheduling It is concerned with sequencing and timing of activities. It is the operational level planning and control that can be used for the following : u Schedule the timing and sequencing of activities. u Prepare the worker deployment plan, i.e., which workers perform these activities, and when u Arrange for delivery of inputs u Arrange for delivery of finished goods and/or services. Scheduling involves the following three activities : (i) Loading - determining and assigning the amount of work to be assigned in each stage of the process, whether to production centers, or staff groups. There are two types of loading, namely, finite loading and infinite loading. Finite loading refers to assigning work to a job centre with a finite capacity limit, e.g., machines equipment with a maximum processing time rate. Infinite loading is related to assigning work centre or activity where there is no maximum capacity limit, e.g., queue at a ATM (cash withdrawal machine), that can be of any length. (ii) Sequencing - deciding on the order of initiating and processing of jobs at each stage. (iii) Scheduling - fixing start and finishing times to each work at each stage. 7.2.1 Schedule tools The Gantt Chart : It is a simple tool and easy to understand, for scheduling activities. It 38 is a type of bar chart that indicates what work is scheduled for a given period of time. The activities are shown on y-axis (vertical axis) and the time frame shown on the x- axis (horizontal axis).An example is shown in the figure below : Figure 7.3 Gantt Chart 7.2.2 Factors affecting scheduling The factors that affect production scheduling are as follows : (i) External factors (a) Demand (b) Delivery rate and dates (c) Inventory of finished goods with dealers, wholesales and retailers (ii) Internal factors (a) Inventory of finished goods with the firm (b) Production cycle time (c) Availability of materials and equipment (capacity) 7.2.3 Dispatching Planning and scheduling lays down the plan of work. Dispatching ensures that the plans are properly implemented. It refers to orders and instructions in accordance with the plan of activities. A dispatcher coordinates the production activities and serves as link between production and sales. Dispatching involves issuance of the following orders : u Store Issue order – for issue of materials (inputs)

39 u Tool order – for release of equipment and machinery u Job order – for start of operation u Inspection order – for inspecting goods at various stages of production u Move order – for movement of materials and components from one facility to another. 7.3 Work Study One of the major determinant of an operation's capacity is the size and capabilities of the workforce. Unlike equipment and machines, workers cannot be programmed to work at uniform pace. Their performance vary in both qualitative and quantitative terms with respect to several factors such as, motivation, working conditions, method of operation etc. People need time off and their performance has high variability. Because of this inherent variability in people's work-pace, special set of tools and techniques have been developed to measure what work levels, people can achieve under normal circumstances. The time taken to do a work may also depend on the method of operations. Unnecessary operations may lead to more time to carry out an operation. Method study aims to eliminate unnecessary operations and wastage. Work-study, comprising method study and work measurement, can help in improving operations in many ways. It enables reduction of cost, improvement in productivity and ensures high motivation of the work force. 7.3.1 Method study Method study involves the systematic recording of the existing and proposed ways of doing work. It aims at critically analysing the processes in order to improve performance. It relates to activities and represents modifications and additions to the present procedures so as to make what is done more logical and more systematic. Method study consists of a basic procedure, embodying certain formalized techniques, which are employed in a particular way and for a specific purpose. The steps constituting the basic procedure are as follows : 1. Select the job to be studied in terms of the precise boundaries of the investigation. Impose any necessary constraints and determine the objectives of the study. 2. Record all the relevant information which will assist in the solution of the problem, making sure that the level of detail is appropriate to the level of the activity selected. 3. Examine the recorded facts or proposals critically and impartially and produce 40 alternative courses of action, together with the implications of these alternatives. 4. Develop a better approach or process. 5. Install the new method as a standard of excellence. 6. Maintain this new standard as the minimum, at the same time actively seeking for further improvement on a continuous basis. The above approach is termed as SREDIM, which is widely used for method study. The activity studied for the purpose of improvement is represented with symbols. The five symbols used in method study are as follows : m Operation ∇ Controlled storage D Delay ð Transport o Inspection The study of the method would reveal the delays and unnecessary operations. The aim is to have as much pure 'operation' activity as possible as this is the only activity that adds value, while the other are, though may be essential, non-productivity 'cost' factors and will reduce utilisation of the capacity. Method study serves as tool for continuous improvement and helps in following areas : u layout u Material handling u Tool design u Product design u Quality standards u Process design 7.3.2 Work measurement Any job when studied and analyzed broadly breaks up into following three categories : 1. Basic work content 2. In-effective work content 3. In-effective time The aim should be to eliminate or, reduce the last two components. Method study on the one hand tries to eliminate or reduce ineffective work content while work measurement is primarily concerned with investigation, reduction and subsequent elimination of 41 ineffective time, be it within the control of the management of the worker. According to ILO (International Labour Organisation) the definition of work measurement is as follows: " Work measurement is the

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application of technique designed to establish the work content of a specified task by determining the time required for carrying

it out at defined standard of performance by a qualified operator". Work measurement, thus, provides management with means of measuring the time of performance of a job and doing so, also, separates the ineffective time from effective time. In general the following are the objectives of work measurement : 1. To investigate, reduce and subsequently eliminate ineffective time. 2. To assist method study. 3. To set consistent and equitable standards of performance. 4. To furnish reliable data for use in compiling charts a formula. 5. To complete standardization of a given job. The important uses of work measurement are as follows : a) To compare the efficiency of alternate methods b) To determine assignments for balancing the work load c) To control machine utilization and labour performance d) To set standard data · e) To provide information on : (i) Planning and scheduling (ii) Estimates for tenders and quotations, selling prices and delivery promises (iii) Incentive schemes (iv) Labour cost control Work measurement techniques : The following are the principal techniques by which work measurement is carried out (a) Time study (b) Production study (c) Work sampling (d) Synthesis from standard data (e) Pre determined Motion Time Standard (PMTS) 42 (f) Analytical Estimating Other than work sampling and analytical estimating, all other techniques either derive from time study or are variants of it. These techniques are applicable in different situations. llll Factors affecting the time There are several factors affecting the time which a worker would take to accomplish a given job. These are as follows : (a) Method of working (b) Place at which work is performed (c) Delays and interruptions (d) Time taken for compensating fatigue and attending personal needs. Therefore, the time required to do a job can be specified only when the factors affecting the time have been standardized. In other words, it can only be said that a given job performed according to specified method, and when involving a specified amount of delay would require a certain fixed time for completion by a worker working at normal pace and taking a specified normal amount of time for rest and personal needs. The amount of time as described above is termed as Standard Time. llll Time Study It is

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a technique for determining as accurately as possible from a limited number of observations the time necessary to carry out a given activity at a defined standard of performance (

ILO). Thy steps in Time Study

include: (i) Selecting the job. to be studied (ii) Breaking down the job into elements (iii) Measuring with a timing device (usually a stop watch)

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and recording the time taken by the operator to perform each "element" of the operation. (

iv) At the same time assessing the effective speed of the working of the o.perator relative to a pre-determined "normal" speed. (v) Converting the observed times to "normal times". (vi) Determining the allowances

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to be made over and above the normal time for the operation. (

vii) Determining the 'allowed time' for the operation.

43 Types of elements There are different types of elements and they may be classified as follows : (i) Regularements are those which recur in every cycle of a job. (ii) Constant elements are those elements that are identical in specification and time, and occur in two or more operations. (iii) Variable elements are those elements in which the time of performance varies with characteristic of the product, equipment, a process (e.g. dimension such as weight of an object to be moved). (iv) Occasional elements are those elements which do not occur in every cycle of the task but which may occur occasionally. (v) Foreign elements-are those observed during study, which are not a necessary of the operation or activity studied. Computation of Standard Time Observed time *Rating = Normal Time Normal time +Allowance = Standard Time where, u Observed time is the time observed (with a stop watch) u Rating (also known a performance rating) is the mental comparison by a work study man of the performance of an operator under observations with his own idea of a standard performance for a given method. u Allowances are given over and above normal time to compensare for the fatigue so that the operator is able to work throughout the shift. It is also included to compensare for all lost time which is beyond the control the work. Thus, standard time of operation of any given job should include the following. 1. The effective normal time for the continuous performance of the cycle. 2. The time for rest to compensare for the accumulated fatigue. 3. All other loss time per cycle that can be termed as unavoidable delays that is inherent for a given situation beyond the control of the worker. In a practical work situation the worker while performing a job does it at a certain pace, takes rest when he needs it and also looses time due to maintenance, inspection, talking to foreman, change of setup etc. The first step before giving any allowance is to examine carefully all the inflectual time

44 and decide whether or not it can be eliminated. Thus, allowance should include ineffectual time beyond control and indirect activities necessary for the proper performance of the work. The different types of

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allowance are : 1. Process Allowance : It is an allowance of time given to compensare for enforced idleness on the part of an operators due to the character of the process or operation on which he is employed (

ILO). 2. Rest and Personal Allowance : It

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is an addition to the normal time (usually calculated as a percentage) intended to provide the worker with an opportunity to recover from the physiological and psychological effects of expending energy in the performance of specified work under specified conditions and to allow attention to personal needs (

I.L.O). 3. Constant Allowances : It is made up of the personal allowance and an allowance to cover the using up of energy over where no work is being done. This allowance varies with sex and working conditions. 4. Variable allowance : These are given or factors which vary from job to job, such as standing in abnormal position, use of force or energy, bad light, atmospheric condition, noise level, mental strain, monotony, tediousness etc. 5. Special Allowances : It is given for any activities not normally part of the operation cycle but essentially to the satisfactory performance of the work, they fall under two broad categories namely, (a) Periodic activity allowance (e.g. periodic inspection etc.) (b) Interference allowance (e.g. operator working with several machines, each of which is liable to either cyclic or random stoppages; these are prominent in jute, textile and similar industries) 6. Policy Allowances: Any

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allowance given at the discretion of the anagement over and above allowances given due to features inherent

to the work under consideration (ILO). Temporary allowances, which are also a form of policy allowance, may be made for abnormal conditions, such as poor quality material or the imperfect functioning for a particular piece of plant etc. 7.3.3 Work Sampling Work Sampling is a measurement technique for the quantitative analysis, in terms of time, of the activity of men, machines, or of any observable state condition of operation. It is an extremely useful device with which to make an inexpensive overall survey of 45 office, workshop, or service activity. Work Sampling is preferred above time study as it is convenient, possesses known for reliability. It can be applied without the use of stop watch or to subjective judgement of performance rating. A Work Sampling study consists of a large number of observations taken at random intervals in taking the observations

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the state or condition of the object of study is noted, and

this state is classified into predefined categories of activity pertinent to the particular work situation. Inferences are drawn concerning the total activity from the proportions of observations in each category. The underlying theory of work sampling is that the percentage of observations recorded a man for machine as idle or working, or in any other condition, reflect to a known degree of accuracy of the average percentage of time actually spent in that state or condition. If observations are randomly distributed over a sufficiently long period of time, this theory is held to be true and correct, regardless of the nature of observed activity. Work Sampling utilises the well-established principle of drawing inferences and establishing frames of reference from a random sample of the whole. It is a practical compromise between the extremes of purely subjective opinion of continuous observation and a detailed study. The reliability of work sampling is enhanced with increase in number of observations. Steps in Work Sampling. The steps in work sampling are as follows : A Preparing for work sampling : 1. Deciding on the objectives of study. 2. Establishing and recording quantitative measure of production with which work sampling results may be correlated. 3. Selection and training of personnel. 4. Announcement of the study. B. Performing work sampling : 1. Classifying into categories the activity to be studied. 2. Designing the necessary forms. 3. Developing properly randomized times of observation. 4. Observing activity and recording data.

46 7.4 Questions Short Type Questions i) What factors affect scheduling? ii) What is the role of dispatching? iii) How does work-study help us in improving the productivity? iv) What is the importance of method study? v) How does time study helps a production manager? vi) How is standard time computed? Descriptive Type Questions i) Describe the process planning cycle . ii) Explain what is work-study. iii) Describe work sampling.

47 Unit 8 ppppp Work Environment Structure 8.1 Safety 8.1.1 Need for Safety 8.1.2 Safety Management 8.1.3 Implementation of Safety Management 8.1.4 Safety Programs 8.2 Accidents 8.2.1 Environmental Factors 8.2.2 Prevention of Accidents 8.3 Questions 8.1 Introduction This is one of the most important factors in any organization, as it helps in improving productivity and reducing loss to life and property. The need for safety management was realized in early part of 20 century. The first co-operative safety congress was held in 1912 and an organization of the National Safety Council was formed in USA. In India different acts such as Factories, Office, Shops, Railway premises acts etc have been introduced to ensure implementation of safety measures in the industries. 8.1.1 Need for Safety Safety in industry helps in the following ways: (i) Increase the rate of production (ii) Reduces production cost (iii) Reduces damage to property (Equipment, machinery, building etc.) (iv) Prevents loss of life. (v) Reduces injury and disablement of work force (vi) Boosts morale of employees (vii) Reduces legal hassles and loss due to work men's compensation 8.1.2 Safety Management Safety Management involves planning, implementation and control of safety measures in organization.

48 Planning for safety The aspect of safety should be borne in mind at the time of deciding on location and layout of operation. These are important factors, as decision taken and implemented on these aspects are very difficult to change. The investment made are sunken cost and almost irreversible. As a result most of the operations continue in spite of the occurrence of accident at the production site (primarily because of wrong location and for layout). The next important factor for safety planning is the choice of tools and equipment etc. Some machinery is accident-prone and hence, adequate training to the work force should precede use of this equipment. Planning for safety should involve implementation of best practices and measures as per statutory requirements. Thus, safety planning should include educating and training workers and supervisors regarding safe practices on the shop floor. 8.1.3 Implementation of Safety measures The first step to implementation of safety measures is to identify the person in-charge of safety measures. The responsibilities of this official are the following : (i) Identification of safety needs (ii) Enforce safety measures (iii) Review safety measures (iv) Record and maintain data on accidents, deaths, injuries, damage to property and related aspects. (v) Recommend training, and conduct work-shops and seminars. (vi) Circulate and display safety rules, and modifications and amendments of the rules and safe practices. (vii) Carry out inspections and visit to check implementation of safety measures. (viii) Report the status to higher authority and regulatory bodies periodically. 8.1.4 Safety Programs Safety programs are held to assess review and educate work force on safety aspects in an organization. It analyses the cause and effect of accidents and suggests ways and means of reducing such accidents. It is a continuous process and aims at continuous improvement in work practices. A safety program, thus, includes 4 'e' as described below: (i) Engineering : Consideration of safety aspects at the time of layout, design and installation of machinery. (ii) Education : Training and creating awareness of safe practices among employees.

49 (iii) Enlistment : It refers to the interest and attitude of employees and management towards safety programs and its purpose. Safety programs also aim at arousing the interest of employees in safe practices and safety consciousness. (iv) Enforcement : Enforcement and adherence to safety rules and safe practices. 8.2 Accidents An industrial accident may be defined as an unexpected event that causes injury, disability or death of a person and damage to property. Although accidents are stated to be unexpected events, there are distinct causes. The causes of accidents are as follows : (i) Human cause (ii) Technical cause Human causes are unsafe acts by persons resulting in accidents. These unsafe acts include ignorance, forgetfulness, carelessness, defiance to safety rules and safe practices etc. Accidents may also happen because of personal factors. Technical causes are unsafe conditions that reflect deficiencies in design, layout, equipment, tools, material handling system, work environment etc. 8.2.1 Environmental Factors Environmental factors refer to physical and atmospheric surroundings of work that affect operations. It includes (i) Temperature (ii) Illumination (iii) Sound (iv) Humidity (v) Work Load (vi) Working hours (vii) Odour and other disturbances (viii) House keeping 8.2.2 Prevention of Accidents The working environment should have the right temperature and illumination, low humidity, and human bearable noise and disturbances. The work place should be hygienic and free from bad odour. There should be well-defined scientifically designed (may be through

50 work study) workload and working hours. There should be provision for appropriate breaks and recess for rest. Adequate health measures should be taken to ensure proper physical and mental condition of workers. The equipment, tools and machinery should be properly maintained. Preventive maintenance should be carried out at periodic intervals. The workload and working hours of equipment, material and tools should be properly monitored. Effective spare parts management to replace old and worn out components should be in place. Old and fragile equipment should be replaced at the right time. Material handling should be done with right handling equipment and using the right method. Working should put on protective devices such as helmets, gloves, eye goggles, mask, safety shoes, apron etc wherever required. Handling of inflammable materials should be done with care. Electrical connections and insulation should be checked and monitors at regular intervals. Water seepage, dampness, water logging be avoided. Accident-prone activities and zone should be earmarked and care taken to ensure strict implementation of safe practices. Employee training and safety programs should be held as a continuous process and commitment of top management to the safety rules and safe practices is a must. 8.3 Questions Short Type Questions i) Explain the need for industrial safety. ii) What are the steps in safety management? iii) How can we prevent accidents? iv) What are the environmental factors that affect operations? Descriptive Type Questions i) Explain the safety management and planning in an organization. ii) Describe the safety programmes and its importance.

51 Unit 9 Materials Management Structure 9.1 Introduction 9.2 Inventory Management 9.2.1 Why inventory is required 9.2.2 Objectives of Inventory Management 9.2.3 Continuous inventory system 9.2.4 Periodic inventory system 9.2.5 ABC classification 9.2.6 Independent and dependent demand inventory 9.2.7 Materials Requirement Planning 9.2.8 Manufacturing Resource Planning (MRP II) 9.2.9 Enterprise Resource Planning (ERP) 9.2.10 Just in Time (JIT) 9.2.11 Optimized Production technology (OPT) System 9.3 Purchase Management 9.3.1 Purchasing Procedures 9.3.2 Accounting 9.4 Stores and Material Control 9.4.1 Centralized-vs-decentralized stores 9.4.2 Other aspects of stores management 9.4.3 Computerisation of purchase and stores -function 9.5 Questions 9.1 Introduction The flow of materials, for an interrupted production or rendering service, is essential for any firm. The flow will depend on the choice of operation process. In line and continuous flow, the product moves sequentially from raw materials (inputs) to finished products. In this case, goods are produced in bulk, and are only packaged into discrete items (packets) in the final stage of production. The flow as well as choice (quality and quantity)

52 of material is very important as any change in decision may lead to stoppage of production and therefore has to be done without shutting down production for an extended time. In batch production, each batch of the goods flows from one work point to another work centre. Each batch may take a different route through the system. Thus the flow of material has to be decided in light of factors such as batch order (size), time of production, quantity, route and time of delivery. In project flow, the resources required to do the work and the material on which work is done are brought together specifically for a project. Material flows are ascertained and analyzed by using flow process charts, drawings, and of assembly and routing sheets, which together describe how a product is to be produced or service to be rendered. 9.2 Inventory Management In order to ensure uninterrupted flow of inputs for productions and also to enable supply of finished goods(output) to the customers and clients, raw materials, (inputs) and outputs are held in the firm for future consumption. These inputs and outputs kept in stock are termed as inventory. In manufacturing operations, inventory usually refers to raw materials and suppliers, work-in-process and finished goods. Raw materials inventory : These are inputs to production process that are converted into finished goods. Raw materials may include, basic elements and compounds, process parts and components and any other input (such as potatoes for producing chips). Supplies : Supplies are inventory items that are used in an indirect way in the production process. These include, cleaning materials, maintenance machines and equipment and other items that do not become part of the finished products or tangible output of a service operation. Work in process (WIP) : These are inventory items at all intermediate stages between raw materials inputs to the process and finished goods. Finished goods : Finished goods are the final outputs whose conversion has been completed and are ready for delivery to the customers. An organization aims at reducing the level of inputs (raw materials and components) and finished goods. However, the WIP inventory is nearly inevitable. Some WIP inventory is held because it is being moved between different stages of production. Some stock of intermediate goods is kept as a buffer so that interruption to the process is avoided. 9.2.1 Why Inventory is required? Inventory is required to support the performance objectives of quality, reliability, speed,

53 flexibility and cost in the following ways: # Maintaining quality of product : Variation in supply of raw materials of desired level may lead to quality problems. Uncertainty in availability of quality inputs and disruption in production process due to the shortages of input supply and intermediate items, may lead to drop in quality of the finished goods. # Reliability : The reliability of delivery of finished goods to a customer can be ensured through holding inventory. # Uninterrupted Supply : Decoupling operation from changes in environment is one of the primary reasons for holding inventory. There could be interruption due to various reasons. # Uninterrupted (smoothed) production flows: An inventory of finished goods are maintained when the demand for the goods vary. The output of production flow if not delivered to the customer, are maintained as inventory. The uninterrupted production flow leads to optimal utilization of technology and work force. # Meeting Customer Demand : The forecast of demand may go wrong leading to unexpected demand for finished goods. As such, a safety stock, i.e. an inventory is held in excess of the expected level of demand to prevent stock out. # Reduced Delivery Lead Time: The lead-time i.e. the time required to supply goods to the customer is minimized through inventory of goods. The objective is to immediately provide goods. # Flexibility : Inventory held by a firm enables the firm to exercise the flexibility of production. It can choose to produce only after receipt of order, only if it holds inventory of inputs and finished goods. The inventory of input reduces the elapsed time between supply of material and production, while inventory of goods enable to start the supply from the desired date. # Reduced raw material and component cost: The cost of acquiring inputs may be reduced if purchased in bulk quantity. Inventory also prevents purchase of goods at times of scarcity when the price increases. Inventory may also mean purchase of goods in advance of price increases.

9.2.2 Objectives of Inventory Management The primary objective of inventory management is to provide the way to decide on the following : (i) Make or buy (ii) When to buy (iii) How much to buy Inventory management focuses on optimization of the following : (i) Ordering Cost (ii) Holding Cost (iii) Shortage Cost

Ordering Cost (C_o) : It includes cost of preparing a purchase order, cost of transportation and shipping, receiving, inspection, handling and storage. If the product is made inhouse, the cost is said to be set-up cost, which refer to cost of preparing for the production, and all other costs such as acquisition of resources (raw materials etc). changing the production process or setting up of machines and equipment. Holding Costs (C_h) : This includes cost of storage facilities, the funds, and reduction in the value of goods held in inventory through obsolescence, pilferage etc. Shortage Cost : This is the cost incurred due to production stoppage, lost sales and inability to meet customer demand, arising out of inadequate inventory. The above costs and annual demand (D) of the goods are used to determine the optimal ordering quantity (i.e. "how much to buy"). Economic Order Quantity (EOQ) : It is the optimal fixed quantity that is ordered at a time. This quantity minimizes the total cost of inventory (viz. holding, ordering and shortage cost). The computation of EOQ is based on certain assumptions. For example, the EOQ can be computed as : $EOQ = \sqrt{\frac{2DC_o}{C_h}}$

For the following assumptions : 1. All cost are known and do not vary, and the demand (D) for an item is also known and do not vary. 2. There is no shortage cost. 3. Items are delivered as and when ordered. That is, there is no time lag in supply of materials. 4. The unit cost of an item and the reordered costs are fixed and do not change according to quantity (that is, there is no bulk discount)

9.2.3 Continuous inventory system In this system, the inventory levels are continuously monitored. A fixed amount of inventory items are ordered as the level of inventory drop below a predetermined level. 9.2.4 Periodic inventory system In this system, the inventory level is monitored periodically, i.e. after a specific time period, and a variable (not fixed) amount is ordered depending on the level of inventory in the stock. This type of monitoring is also termed as fixed-time period system. In this fixed time period system, the time period of replenishment is fixed while the amount ordered is variable. The amount ordered is equal to the difference between the pre-determined level and the actual level at the time of inspection. This type of inventory system is generally known as a bin-system. It is either one-bin or two-bin system that is followed. In one bin-system, the inventory is replenished to the extend items are used. Items are replenished even if the quantity is few in number. This type of system is followed in retail shops. In a two-bin system, there are two bins of items. Order is placed when the first is completely used up. The two bins are of such size, that the consumption period of second bin of items is equal to the delivery period of items for the first bin. 9.2.5 ABC Classification This is a method of classifying the inventory items. Classification of inventory is done on the basis of usage and cost of items. ABC is based on the Pareto principle (80/20). According to this principle, it is inferred that only a few items account for most of the consumption. The objective of ABC classification is to decide which items are important and need to be tightly monitored, and which are not. The classification is done on the following way : # A list of all inventories, items are prepared. The unit cost of each item and the quantity of units used is recorded against the list of items. # The annual expenditure against of each item is computed by multiplying cost of each item and quantity of the item used. # The list of items is now sorted in a descending order of annual usage. # The next step is to determine the cumulative percentage of the total annual cost contributed by each item. The cumulative percentage is computed by adding the cost of each item with cost of its previous items, divided by the total expenditure on all items. # The sorted list is now classified in A, B, and C items. The items with highest annual expenditures are called A items. Class A items are required to be monitored and managed closely as it involves high investment. Holding inventory of class A item will lead less on account of blockade of capital. A items generally account for 70- 80% of the total inventory cost and constitute about 10% of the total inventory. The items with moderate annual expenditures are called B item. These items are the next category of items that are managed and monitored may be less closely than 'A' items. B items generally account for 20 to 15% of the total inventory cost and constitute

56 about 15 to 20% of the total items. The items that are consumed in large volumes but with lowest annual expenditures are classified as class C items. Simple Inventory systems (such as two bin systems) are used for control of their usage. Class C items generally account for 15 to 20% of the total inventory cost and constitute about 75% to 80% of the total items. The graphical representation of class A, B and C items are shown in figure below. Percentage of Items Figure 9.1 The basic of ABC classification

9.2.6 Independent and dependent-demand inventory There are two categories of items, namely independent demand items and dependent demand items. Independent demand items are those, which are unrelated or independent of demand of other items. These are normally the end products of an organization whose demand is estimated from the requirements of the customers or clients. Whereas dependent items are those, which are related to the independent items. Demand for independent demand items gives rise to requirement of dependent-demand for televisions by the customers are independent demand items whereas the components of a television such as a picture-tube, power supply unit etc. are dependent demand items. It is necessary to understand the difference between these categories items. This is because the material requirement planning for end products is based on forecast of customer demand, whereas demand for components is based on demand of end products. There is always an uncertainty in the demand for independent items that often results in carrying higher levels of inventory to minimize the risk of stock out.

9.2.7 Materials Requirement Planning (MRP) It is a top down approach designed to determine the requirement of inputs. As such MRP is a dependent demand system that determines the requirement of materials and enables production planning based on forecast of sales orders. Thus, it is used to manage

57 the component demand inventory instead of finished goods inventories. It is used in batch or line/mass process type of operations, where the finished products are manufactured from large number of component items over several production stages. The demand for inputs is endogenous and is calculated from demand for finished goods. MRP is carried out based on the following :

(i) Demand of finished goods. (ii) The master production schedule, that indicates the quantities and schedule of outputs. (iii) The bill of material, that indicates the parts and components that are required as input and the quantity required. (iv) The inventory master file that provides information about the stock on hand and on order. MRP forms the basis for capacity requirement plan (CRP). The MRP system is schematically shown in figure 9.2. Figure 9.2 The MRP System

58 The MRP system structure comprises of a set of 5 (five) questions which are as follows : 1. How many products are required to be manufactured? 2. When are these goods required? 3. What is the composition (components) of finished goods? 4. What are quantities of components required? 5. What is lead-time of obtaining the components (inputs)

9.2.8 Manufacturing Resource Planning (MRP II) It is an improved system to determine the requirements of raw materials and components. It includes all features of MRP and in addition incorporates other management ingredients such as tooling, routing methods, and capacity availability and man-hour requirement.

9.2.9 Enterprise Resource Planning (ERP) This system is an extension of MRP II that integrates internal and external business process. The external business processes include the customer - retailer-physical distribution sub-systems that are integrated with the supply chain. Thus, it incorporates all the aspects of supply chain management.

9.2.10 Just in Time (JIT) According to this system, items are procured in exact quantities at the time of production. This is based on principle of zero inventories. Thus it attempts to ensure a smooth, uniform flow of small amounts of the right type of material through the system. JIT emphasizes flow of materials directly to the production centre rather than into a separate storage area or warehouse. This type of system is suitable for simple repetitive manufacturing of standard product.

u Comparison of MRP with JIT : MRP JIT

- u Based on forecast of sales
- u Based on actual customer requests
- u Push based system as it relies on
- u Pull based system as it based on predetermined schedules customer request
- u Use special purpose set up (machine
- u Uses general-purpose machines that can and equipment)
- u Performs several basic functions.
- u Cellular layouts Based on Japanese principles
- u Production layout is line type
- u Kanban of and Kaizen
- u It is useful where there is complexity
- u Performs best in stable conditions, of products and variability in demand including simple product structures, clearly defined material flow, and level and predictable demand

59 The two systems can complement each other in the following ways : # First, a production process can use JIT for managing the actual day-to-day operation and MRP for material and production planning and control. # Secondly, JIT can be used for standard products that are repeatedly used while. MRP for end products that are infrequently produced.

9.2.11 Optimized Production technology (OPT) System This system is based on Goldratt's theory of constraints that performs similar functions as MRP. In addition to features of MRP, this system incorporates the constraints in flow of materials. This system identifies the obstructions and delays in flow of materials. Goldratt's theory of constraints outlines the need for identifying the bottlenecks, setting the pace of process accordingly to the capacity of bottleneck, need to make provision for buffer of jobs and release of job on the receipt of order signals from the bottleneck to avoid excess jobs queuing up as WIP inventory. Thus, while planning for production, the flow of inputs, bottlenecks and queuing of jobs are required to be considered.

9.3 Purchase Management Purchase Management involves procurement of right material, in right quantities, of right quality from the right and reliable source, at right price and receives

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and delivers materials at right place and at right time. Activities, duties and functions of purchasing

section : (i) To keep record of inventory of items. (ii) To determine the quantity, type and quality of materials to be procured. (iii) To standardize the materials. (iv) To develop a vendor base. (v) To process indents of materials. (vi) To select the right source of supply. (vii) To issue purchase order. (viii) To follow up and expedite the order. (ix) To inspect, receive and approve receipt of materials. (x) To process payment to the vendors. (xi) To close completed order. (xii) To maintain records & files.

60 9.3.1 Purchasing Procedures # The departments raise indents or purchase requisition. The purchase requisition contains the following information: (i) Material description and quality (ii) Quantity of material (iii) Date and place of delivery A bill of material is generally used for raising the purchase requisition. # The purchase department develops a vendor base for selection of possible source of supply. It obtains information about vendors from existing supplies. Internet, journals, catalogues, advertisements, trade exhibitions and fairs, and trade directories (i.e. yellow pages etc.) The purchase department decides on local, national or global vendors. It decides on a single vendor or multi-vendor supply of a material. # The purchase department makes request for quotation. It seeks offer through e-mails, letters and faxes, notices displayed in web site, newspapers and other media. The quotation seeks information on vendor's ability to supply the material, unit cost, taxes & duties, total cost, delivery period, warranty conditions, payment terms, validity of offer and other relevant information. # The purchase department receives and analyses the quotation. It involves primarily two stages. The first stage includes technical and commercial evaluation of the bid. The second stage includes evaluation of price offered by the vendor. # The purchase department issues the work (purchase) order. This includes, name and address of firm, material, description, quantity, total cost and other terms and conditions. # The purchase department follows up with the vendor for timely supply. It inspects, receives and approves supply of material. # The process and makes payment to the vendors. The stores department records the receipt of material. 9.3.2 Accounting All purchase transactions initiate a chain of accounting transactions. The purchase and receipt of materials as well as payment to the vendors are accounted in the books of accounts. 9.4 Stores and Material Control Stores management involves handling, storage, security, preservation, dispatch and control of materials procured by the purchase department. In other words, it is responsible for the custody of materials. Stores management takes care that inventory level is not more than desired level and the same is never out of stock. It keeps record of materials received, stored and issued. The stores department ensures that the materials are kept under proper environment and in proper condition. Stores management involves decision on location and layout of stores. The location of stores is decided on the basis of its proximity to other functional units, access to the materials, its security and other infrastructural requirement. The layout of the stores depend on shape, size and volume of materials stores in the stores (warehouses etc.). The layout of stores should be such that handling, movement and access of materials can be smoothly done. The layout should ensure optimal utilization of space. 9.4.1 Centralized-vs-decentralized stores In big enterprises,

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stores department cannot be situated where it is convenient to supply materials to the functional units. In this case it becomes often convenient to set up sub-stores

close to the functional units. This leads to the concept of decentralized stores. The advantages of centralized and de-centralized stores are as follows : (I) Advantages of centralization of stores are : (i) Better supervision and control. (ii) Low manpower. (iii) Less cost. (iv) Better layout and security of stores. (II)

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Advantages of decentralization of stores are. (i) Less material handling and the associated cost (

ii) Easy dispatch and prompt availability of materials 9.4.2 Other aspects of stores management (i) Maintenance of bin cards. A bin card or a stock card indicates the details of materials, its quantity, issued and on hand each day. Bin cards are attached to each shelf. Bin cards may be made in duplicate; one card is attached to the bin/ stock holding the material, and the second remains with the storekeeper. Bin

cards may also contain information such as ordering level, maximum and minimum quantity of each material to be carried out, normal quantity of each material to be ordered etc. (ii) Maintenance of stores ledger : Store ledger is similar to that of bin card. It keeps record of stores transaction in four sections which are as follows : (a) Material ordered Date ordered Purchase order number Quantity Date Delivery expected (b) Material Received Date of receipt Purchase order number Quantities received Unit cost Total cost (c) Material issued Date of issue Receipt number Department Quantity Unit cost Total cost (d) Stock on hand (Balance) Quantity Unit cost Total cost (iii) Codification of materials : The materials in the store are assigned specific and unique codes. A code may comprise letters or numbers or both (alphanumeric). Codes enable easy identification of materials and hence better control. It enables better record maintenance.

63 (iv) Physical verification of stores (stock taking) Physical verification of stores is done to verify and reconcile the actual stock of materials with the records maintained in bin card and for stock ledger. Physical verification indicates the losses in inventory due to pilferage, misplacement, damage, deterioration etc. It enables update of record. It reduces the chance of stock out. It also enables to effect insurance coverage of the materials in the store. Physical verification is done either annually or is a continuous process. In this process damaged, lost and obsolete items are identified and stock updated. It leads to decision on classification of materials as fast, moderate and slow moving of materials. It also leads to review of security, layout and other matters. Care should be taken to ensure that operation is not stalled beyond certain time period in order to avoid production losses.

9.4.3 Computerisation of purchase and stores function In the present day context all activities of purchase and stores section can be computerized to keep track of all transactions. Ready-to-use or customized application software packages enable to input data, compile information and generate reports on all related aspects. A Decision Support System (DSS) can help in decision-making on matters such as order quantity, vendor management, lead-time management and financial management.

9.5 Questions Short Type Questions i) What are the different types of inventories? ii) Why inventories are required? iii) What are the objectives of materials management? iv) Distinguish between continuous and periodic inventory management system. v) How is MRPII different from MRP? v) What is the role of purchase manager? vi) Why store function is required? Descriptive Type Questions i) Describe MRP. ii) Distinguish between MRP and JIT. iii) Write short notes on a) JIT b) Optimized Production technology (OPT) System

64 Unit 10 ppppp Quality Control Structure 10.1 Process Control 10.1.1 Statistical process control (SPC) 10.2 Total Quality Management (TQM) 10.2.1 Product development in a TQM environment 10.2.2 Quality Circle 10.3 Zero Defects 10.4 Six Sigma 10.5 International Organization for Standardization 10.5.1 ISO 9000 10.5.2 Quality Management Principles as- defined in ISO 9000 : 2000 10.5 Questions 10.1 Process Control It refers to attaining the desired quality during the production process. The two important techniques associated with the process control are as follows. (i) Statistical process control (ii) Quality at the sources 10.1.1 Statistical process Control (SPC) It measures the performance of the process and it can be used for monitoring and correcting the quality during production (of product or service) process. SPC uses control charts to track the performance of the quality variables or attributes. Control charts are graphical representations of process measures over time. It depicts the process variation and enables the process controller to take corrective action. There are two types of control chart. These are as follows : X-Chart : An X-chart plots the sample mean to determine whether it is in control or whether the mean of the process samples is varying from the desired mean. Example : A control chart is used for assessing the diameter of a metal ball. Five samples are taken in regular intervals. The desired diameter is set at 15mm.

65 A sample of 5 balls are tested at regular intervals. Their diameter is plotted against the desired diameter of 15 mm. The sample means vary around the desired mean. But if they stay within the upper and lower control limits, the process is said to be under control. R-chart are the control charts where the output is measured against a range of values. The process range is defined as the difference between highest value and the lowest value of the output. This difference is plotted against a desired difference of range within a upper and lower control limits. The purpose of this chart is to determine whether process is in control and also to detect changes in the variation of the process. For example, a sample of 5 balls at a time, the difference between the highest diameters value and the lowest diameter value in the sample is plotted against the desired process range. Attribute charts are used for measuring attributes as well as variables. A P-chart plots the samples proportion defective to determine whether the process is in control. Statistical Process control (SPC), is primarily applied to manufacturing industry. However, its application in services especially quasi-manufacturing or back office environment has shown mixed levels of success. 10.2

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SA Divya Kapoor MBA-III Project.docx (D41680114)

Total Quality Management (TQM) Total Quality Management (TQM) is a

management approach advocating the involvement of the employees in the continuous improvement process (Kaizen). It does not confine the task of continuous improvement with just the quality control specialists. Dr. W. Edwards Deming, the American statistician, described many of the TQM concepts, who guided the Japanese industry's recovery after World War I and who formed many of his ideas during World War II when he taught American industries how to use statistical methods to improve the quality of military products.

66 The basic assumptions of the Total Quality Control approach include : u Work can be broken down into tasks, which are a series of related steps. u A process groups all related tasks done to accomplish an outcome (i.e. hiring a new employee or producing a product). u People completing a series of related tasks have interdependent roles in the organization. u A group of related processes can be seen as a stem (i.e. producing or selling a product). The practice of defining the steps and outcomes (Products and Services) in their processes and systems by employee's results in a common language and understanding of what their jobs should be and how they fit into the larger picture. The factors affecting quality and the causality of the factors can be studied with the flow charts, work-flow diagrams, deployment charts, pareto charts and, cause and effect (influence) diagrams people can see their interdependence and that the quality of what comes out is in measure determined by the quality that goes into a process. Key aspects of TQM include customer-driven quality, top management leadership and commitment, continuous improvement fast response actions based on facts employee participation, and a TQM culture. Customer-driven quality TQM has a customer-first orientation. It emphasizes on customer satisfaction. It gives priority to customers, and not internal activities and constraints. The organization believes it will only be successful if customers are satisfied and responds quickly to customer requirements. The concept of requirements is extended to not only product and service attributes that meet basic requirements, but also those that enhance and differentiate them for competitive advantage. Each part of the organization is involved in Total Quality, operating as a customer to some functions and as a supplier to others. The Materials management department is a supplier to downstream functions such as Manufacturing and Field Service, and has to treat these internal customers with the same priority and responsiveness as it would external customers. TQM leadership from top management TQM can be successful only with commitment and personal involvement of the top management. It has to be introduced and led by top management. Commitment of the top management is required in creating and deploying clear quality values and goals consistent with the objectives of the organization and in creating and deploying well-

67 defined systems, methods and performance measures for achieving those goals. These systems and methods guide all quality activities and encourage participation by all employees. The development and use of performance indicators is linked, directly or indirectly, to customer requirements and satisfaction, and to management and employee remuneration. Continuous improvement Continuous improvement of all operations and activities is at the core of TQM. Continuous improvement of the quality of the product is viewed as the only way to maintain a high level of customer satisfaction. TQM also recognizes that product quality is the result of process quality. It emphasizes that focus on continuous improvement of the organization's processes will lead to an improvement in process quality. Process quality in turn will lead to an improvement in product quality. Product quality will in turn increase customer satisfaction. Elimination of waste is a major component of the continuous improvement approach. There is also a strong emphasis on prevention rather than detection, and an emphasis on quality at the design stage. The customer-driven approach helps to prevent errors and achieve defect-free production. When problems do occur within the product development process, they are generally discovered and resolved before they can get to the next internal customer. Fast response The organization has to respond quickly to customer needs to achieve customer satisfaction. Thus organization should have short product and service introduction cycles. These can be achieved with customer-driven and process-oriented product development. Action based on facts Process quality can be improved through right decision at the right time. Right decision can be taken only if the right information is made available to the decision makers. Information is defined as processed data. Data or raw facts are collected, collated and compiled. Compiled data are analyzed that provide the basis for planning, review and performance tracking, improvement of operations, and comparison of performance with competitors. The statistical analysis of engineering and manufacturing facts is an important part of TQM. The TQM approach is based on the use of objective data, and provides a rational rather than an emotional basis for decision-making. The statistical approach to process management in both engineering and manufacturing recognizes that most problems are system-related, and are not caused by particular employees.

68 Employee participation Employee participation or employee involvement, as stated in the definition, is central to TQM. TQM environment requires that work force be well trained and committed that participates fully in quality improvement activities. Participation of employees should be encouraged with regards and recognition systems. On-going education and training of all employees supports the drive for quality. TQM links remuneration to customer satisfaction metrics. A TQM culture An open, cooperative and conducive culture is essential to introduce TQM. This has to be ensured by the management. Employees have to be made to feel that they are responsible for customer satisfaction. They should be involved with the development of visions, strategies and plans. 10.2.1 Product development in a TQM environment Product development in a TQM environment is likely to render the following benefits : 1. Improved process and improved product quality ii. Minimized wastage, rework, scraps and changes iii. Conducive environment, less conflicts iv. Teams are process-oriented, and interact with their internal customers to deliver the required results. v. Management's focus on controlling the overall process, and rewarding teamwork. vi. Motivated workforce vii. Product development is customer-driven and focused on quality. 10.2.2 Quality Circle Quality Circle refers to a small group of employees organized to solve work related problems; often voluntarily. 10.3 Zero Defects Zero Defects is an approach to quality based on prevention of errors; often adopted as a standard for performance or a definition of quality. 10.4 Six Sigma Six Sigma is a project based problem solving approach that focusses on reducing/

69 preventing defects resulting in increased customer satisfaction and lower costs. It employs a methodology that uses data and statistical analysis to measure and improve a organization's operational performance. It does by identifying and eliminating "defects" in manufacturing and service-related processes. The statistical representation of Six Sigma describes quantitatively how a process is performing. It is commonly defined as 3 .4 defects per million opportunities. Six Sigma can be defined and understood at three distinct levels: metric, methodology and philosophy. The term "Six Sigma" was coined by Motorola engineer, named Bill Smith (mid-1980s). Six Sigma has evolved over time. It's more than just a quality system like TQM or ISO. It's a way of doing business. Geoff Tennant, in his book Six Sigma: SPC, and TQM, in Manufacturing and Services, describes Six Sigma as a vision; a philosophy, a symbol, a metric, a goal, a methodology:

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Six Sigma is a disciplined, data-driven approach and methodology for eliminating defects (driving towards six standard deviations between the mean and the nearest specification limit) in any process—from manufacturing to transactional and from product to service.

The fundamental objective of the Six Sigma methodology is the implementation of a measurement-based strategy that focuses on process improvement and variation reduction through the application of Six Sigma improvement projects. There are two Six Sigma sub-methodologies that are as follows : u DMAIC : DMAIC is the acronym for "define, measure, analyze, improve and control" the process. The Six Sigma DMAIC process is an improvement system for existing processes falling below specification and looking for incremental improvement. u

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DMADV : DMADV stands for define, measure, analyze, design, and verify

the process. The Six Sigma DMADV process is an improvement system used to develop new process or products at Six Sigma quality levels. It can also be employed if a current process requires more than just incremental improvement. Both Six Sigma processes are executed by Six Sigma Green Belts and Six Sigma Black Belts, and are overseen by Six Sigma Master Black Belts. As per the Six Sigma Academy, organizations that are Black Belts save approximately \$230,000 per project and can complete four to 6 projects per year. General Electric, one of the most successful- companies implementing Six Sigma, has estimated benefits on the order of \$10 billion during the first five years of implementation. GE first began Six Sigma in 1995 after Motorola. Since then, thousands of organizations, around the world, have discovered the extensive benefits of Six Sigma.

70 10.5 International Organization for Standardization (ISO) ISO (International Organization for Standardization) is the world's largest developer of standards. ISO's principal activity is the development of technical standards. ISO is a network of the national standards institutes of around 151 countries, on the basis of one member per country. It has a Central Secretariat in Geneva, Switzerland, that coordinates the system. ISO is a non-governmental organization. 10.5.1 ISO 9000 ISO has been. developing voluntary technical standards over almost all sectors of business, industry and technology since 1947. In 1987, ISO 9000 was introduced, followed by ISO 14000, nearly 10 years later. The ISO 9000 family of standards, an international consensus on good management practices is primarily concerned with "quality management". ISO 9000 aims at ensuring that the organization fulfils the following requirements : – the customer's quality requirements, and – applicable regulatory requirements. ISO 9000 focuses on enhancement of customer satisfaction, and achievement of continual improvement of its performance in pursuit of these objectives. Quality standards such as ISO 9000 can be, and has been, widely adopted around the globe. It provides generic guidelines and sets procedures for accrediting the firm's quality management system. It focuses on conformity to practices specified in the firm's own quality systems, sets how the firm will establish, document and maintain an effective quality system. The ISO 14000 family of standards is primarily concerned with "environmental management". It aims at ensuring that the organization minimizes harmful effects on the environment caused by its activities, and continually to improve its environmental performance. "Quality management" refers to the activities of the organization so as to ensure that its products or services satisfy the customer's quality requirements and comply with any regulations applicable to those products or services. ISO 9000 : 2000 ISO 9000 : 2000 introduced as a revision of ISO 9000 is based on eight quality management principles. These are defined in ISO 9000 : 2000, Quality management systems Fundamentals and vocabulary.

71 ISO 9000 : 2004 The principles are defined in ISO 9000:2004, quality management systems guidelines for performance improvements. 10.5.2 Quality management principles as defined in ISO 9000 : 2000 Principle 1: Customer focus Organizations depend on their customers and

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therefore should understand current and future customer needs, should meet customer requirements and strive to exceed customer expectations. Principle 2 : Leadership

Leaders establish unity of purpose and direction of the organization. They

94%

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should create and maintain the internal environment in which people can become fully involved in achieving the organization's objectives. Principle 3 : Involvement of people People at all levels are the essence of an organization and their full involvement enables their abilities to be used for the organization's benefit. Principle 4 : Process approach A desired result

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achieved more efficiently when activities and related resources are managed as a process. Principle 5 : System approach to management Identifying, understanding and managing interrelated processes as a system contributes to the organization's effectiveness and efficiency in achieving its objectives. Principle 6: Continual improvement Continual improvement of the organization's overall performance should be a permanent objective of the organization. Principle 7 : Factual approach to decision making Effective decisions are based on the analysis of data and information Principle 8 : Mutually beneficial supplier relationships An organization and its suppliers are interdependent and a mutually beneficial relationship enhances the ability of both to create value.

Both ISO 9000 and ISO 14000 are concerned with the way an organization does work, and not directly with the outcome of the work. In other words, they are both concerned with processes, and not with products-at least, not directly. However, it is obvious that processes affect quality of product. Well-managed and well-designed processes result in high quality of products. It ensures that it meets customers' quality requirement. ISO is responsible for developing, maintaining and publishing the ISO 9000 and ISO 14000 families of standards. It does not itself audit or assess the management systems of organizations to verify that they have been implemented in conformity with the requirements of the standards. ISO does not issue ISO 9001:2000 or ISO 14001: 2004 certificates. The auditing and certification of management systems is carried out independently of ISO by certification agencies/bodies. ISO has no authority to control their activities. The ISO 9001 :2000 and ISO 14001 :2004 certificates issued by certification bodies are issued under their own responsibility and not under ISO's name. An organization is responsible for auditing its ISO 9000-based quality system to verify that it is managing its processes effectively. It can audit by itself, or may invite its clients to audit the qualitysystem (in order to give them confidence that the organization is capable of delivering products or services that will meet their requirements), or may engage the services of an independent quality system certification body to obtain an ISO 9000 certificate of conformity. The certificate serves as a business reference between the organization and potential clients, especially when supplier and client are new to each other, or far removed geographically, and also reduces multiple audits by different firms. The ISO 9000 certification suffers from the drawback that if not implemented with the right spirit with top management commitment, it may turn out to be document intensive process, resulting in de-motivation in a long run. 10.5 Questions Short Type Questions i) What is process control ? ii) What is the significance of TQM? iii) How quality circles help in quality control? iv) What is six sigma? Descriptive Type Questions i) Describe Total Quality Management (TQM)? ii) Explain the features of ISO 9000. iii) Explain the Statistical process control (SPC) techniques and procedures.

Hit and source - focused comparison, Side by Side

Submitted text As student entered the text in the submitted document.
Matching text As the text appears in the source.

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SUBMITTED TEXT

37 WORDS

67% MATCHING TEXT

37 WORDS

The idea was first developed in Venice several hundred years earlier, where ships were mass-produced using pre-manufactured parts, and assembly lines. The Venice Arsenal apparently produced nearly one ship every day, in what effectively the world's first factory

The idea was first developed in Venice several hundred years earlier, where ships were produced using pre-manufactured parts, assembly lines, and mass production; the Venice Arsenal apparently produced nearly one ship every day, in what was effectively the world's first factory. 14.1.4

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3/28	SUBMITTED TEXT	13 WORDS	100% MATCHING TEXT	13 WORDS
<p>authority to one or more persons to undertake a particular job. Product design :</p> <p>SA 590b0a84b4b47_Print Management_Version_1.docx (D27907363)</p>				
4/28	SUBMITTED TEXT	24 WORDS	87% MATCHING TEXT	24 WORDS
<p>The economics of mass production come from several sources. The primary cause is a reduction of nonproductive effort of all types. In mass production,</p> <p>SA BBA_107 PRODUCTION AND OPRATION MANAGEMENT.pdf (D164883416)</p>				
5/28	SUBMITTED TEXT	34 WORDS	95% MATCHING TEXT	34 WORDS
<p>each worker repeats one or a few related tasks that use the same tool to perform identical or almost identical operations on a stream of products. The exact tool and parts are always at hand.</p> <p>SA BBA_107 PRODUCTION AND OPRATION MANAGEMENT.pdf (D164883416)</p>				
6/28	SUBMITTED TEXT	21 WORDS	93% MATCHING TEXT	21 WORDS
<p>assembly lines. The assemblies pass by on a conveyor, or if they are heavy, hung from an overhead monorail. u In a</p> <p>SA POM credit and SLM-DSC6-DSM4.pdf (D165316729)</p>				
7/28	SUBMITTED TEXT	22 WORDS	90% MATCHING TEXT	22 WORDS
<p>for a complex product, there may be many auxiliary assembly lines feeding sub-assemblies (i.e. car engines or seats) to a backbone "main" assembly line.</p> <p>SA POM credit and SLM-DSC6-DSM4.pdf (D165316729)</p>				
8/28	SUBMITTED TEXT	12 WORDS	75% MATCHING TEXT	12 WORDS
<p>Batch production, and ii) Job production. Batch production Batch production is a method used</p> <p>SA POM credit and SLM-DSC6-DSM4.pdf (D165316729)</p>				
9/28	SUBMITTED TEXT	16 WORDS	88% MATCHING TEXT	16 WORDS
<p>production equipment must be stopped, re-cogfigured, and its output tested, before the next batch can be produced.</p> <p>SA BBA_107 PRODUCTION AND OPRATION MANAGEMENT.pdf (D164883416)</p>				

10/28	SUBMITTED TEXT	20 WORDS	82% MATCHING TEXT	20 WORDS
<p>application of technique designed to establish the work content of a specified task by determining the time required for carrying</p>		<p>Application of techniques designed to measure and establish work content of a specified task or job by determining the time required for carrying</p>		
<p>W https://josephscollege.ac.in/lms/Uploads/pdf/material/OM_Sem_II.pdf</p>				
11/28	SUBMITTED TEXT	65 WORDS	58% MATCHING TEXT	65 WORDS
<p>Batch production reduces initial capital outlay because a single production line can be used to produce several products. u Batch production can be useful for small businesses who cannot afford to run continuous production lines. u Orgnisations can use batch production as a trial run. If a retailer buys a batch of a product and people don't buy them then the producer can cease production without having to sustain huge losses.</p>				
<p>SA POM credit and SLM-DSC6-DSM4.pdf (D165316729)</p>				
12/28	SUBMITTED TEXT	28 WORDS	94% MATCHING TEXT	28 WORDS
<p>a technique for determining as accurately as possible from a limited number of observations the time necessary to carry out a given activity at a defined standard of performance (</p>		<p>a technique for determining as accurately as possible from a limited number of observations the time necessary to carry out a given activity at a different standard of performance".</p>		
<p>W https://bajrang75.files.wordpress.com/2016/06/course-no-205-production-and-perations-management.pdf</p>				
13/28	SUBMITTED TEXT	14 WORDS	80% MATCHING TEXT	14 WORDS
<p>and recording the time taken by the operator to perform each "element" of the operation. (</p>		<p>and record the time taken by the worker to perform each element of the operation. 4.</p>		
<p>W https://bajrang75.files.wordpress.com/2016/06/course-no-205-production-and-perations-management.pdf</p>				
14/28	SUBMITTED TEXT	11 WORDS	87% MATCHING TEXT	11 WORDS
<p>to be made over and above the normal time for the operation. (</p>		<p>to be made over and above the "basic time" for the operation. 7.</p>		
<p>W https://bajrang75.files.wordpress.com/2016/06/course-no-205-production-and-perations-management.pdf</p>				
15/28	SUBMITTED TEXT	37 WORDS	75% MATCHING TEXT	37 WORDS
<p>allowance are : 1. Process Allowance : It is an allowance of time given to compensate for enforced idleness on the part of an operators due to the character of the process or operation on which he is employed (</p>		<p>Allowance: A process allowance is an allowance of time given to compensate for enforced idleness (which would otherwise cause loss of earning power) on the part of an operator due to the character of the CP-204 255 process or operation on which he is employed.</p>		
<p>W http://150.129.131.246:8090/jspui/bitstream/123456789/135/23/Prod.%20and%20Operations%20Managemen ...</p>				

16/28	SUBMITTED TEXT	44 WORDS	93% MATCHING TEXT	44 WORDS
<p>is an addition to the normal time (usually calculated as a percentage) intended to provide the worker with an opportunity to recover from the physiological and psychological effects of expending energy in the performance of specified work under specified conditions and to allow attention to personal needs (</p>		<p>is an addition to the basic time (usually calculated as a percentage) intended to provide the workers with an opportunity to recover from the physiological and psychological effects of expending energy in the performance of specified work under specified conditions and to allow attention to personal needs.</p>		
<p>W http://150.129.131.246:8090/jspui/bitstream/123456789/135/23/Prod.%20and%20Operations%20Managemen ...</p>				
17/28	SUBMITTED TEXT	17 WORDS	76% MATCHING TEXT	17 WORDS
<p>allowance given at the discretion of the anagement over and above allowances given due to features inherent</p>		<p>allowance is given at the discretion of the management over and above the allowances given to features inherent</p>		
<p>W http://150.129.131.246:8090/jspui/bitstream/123456789/135/23/Prod.%20and%20Operations%20Managemen ...</p>				
18/28	SUBMITTED TEXT	13 WORDS	100% MATCHING TEXT	13 WORDS
<p>when and in what sequence the work will 37 be done. It involves</p>				
<p>SA 346E1210-Operations Management_179E1210-347E1210-348E1210-349E1210.pdf (D165203698)</p>				
19/28	SUBMITTED TEXT	12 WORDS	87% MATCHING TEXT	12 WORDS
<p>the state or condition of the object of study is noted, and</p>		<p>the state or conditions of the object of study is noted and</p>		
<p>W http://150.129.131.246:8090/jspui/bitstream/123456789/135/23/Prod.%20and%20Operations%20Managemen ...</p>				
20/28	SUBMITTED TEXT	15 WORDS	90% MATCHING TEXT	15 WORDS
<p>and delivers materials at right place and at right time. Activities, duties and functions of purchasing</p>		<p>and deliver materials • At right place, and • At right time 4.3.2 ACTIVITIES, DUTIES AND FUNCTIONS OF PURCHASING</p>		
<p>W https://vdoc.pub/documents/a-modern-approach-to-operations-management-4oatj0nih450</p>				
21/28	SUBMITTED TEXT	26 WORDS	48% MATCHING TEXT	26 WORDS
<p>stores department cannot be situated where it is convenient to supply materials to the functional units. In this case it becomes often convenient to set up sub-stores</p>		<p>stores department possibly cannot be situated where it is convenient to deliver materials to all departments and at the same time be near the receiving department ; thus it becomes often necessary to set up sub-stores</p>		
<p>W https://vdoc.pub/documents/a-modern-approach-to-operations-management-4oatj0nih450</p>				
22/28	SUBMITTED TEXT	13 WORDS	76% MATCHING TEXT	13 WORDS
<p>Advantages of decentralization of stores are. (i) Less material handling and the associated cost (</p>		<p>ADVANTAGES OF DECENTRALIZATION OF STORES • Reduced material handling and the associated cost. •</p>		
<p>W https://vdoc.pub/documents/a-modern-approach-to-operations-management-4oatj0nih450</p>				

23/28	SUBMITTED TEXT	33 WORDS	96% MATCHING TEXT	33 WORDS
<p>Six Sigma is a disciplined, data-driven approach and methodology for eliminating defects (driving towards six standard deviations between the mean and the nearest specification limit) in any process-from manufacturing to transactional and from product to service.</p>		<p>Six Sigma is a disciplined, data-driven approach and methodology for eliminating defects (driving toward six standard deviations between the mean and the nearest specification limit) in any process – from manufacturing to transactional and from product to service.</p>		
<p>W https://josephscollege.ac.in/lms/Uploads/pdf/material/OM_Sem_II.pdf</p>				
24/28	SUBMITTED TEXT	10 WORDS	100% MATCHING TEXT	10 WORDS
<p>Total Quality Management (TQM) Total Quality Management (TQM) is a</p>				
<p>SA Divya Kapoor MBA-III Project.docx (D41680114)</p>				
25/28	SUBMITTED TEXT	12 WORDS	100% MATCHING TEXT	12 WORDS
<p>DMADV : DMADV stands for define, measure, analyze, design, and verify</p>				
<p>SA Production_Management.docx (D126551231)</p>				
26/28	SUBMITTED TEXT	19 WORDS	60% MATCHING TEXT	19 WORDS
<p>therefore should understand current and future customer needs, should meet cvstomer requirements and strive to exceed customer expectations. Principle 2 : Leadership</p>				
<p>SA BBA_107 PRODUCTION AND OPRATION MANAGEMENT.pdf (D164883416)</p>				
27/28	SUBMITTED TEXT	51 WORDS	94% MATCHING TEXT	51 WORDS
<p>should create and maintain the internal environment in which people can become fully involved in achieving the organization's objectives. Principle 3 : Involvement of people People at all levels are the essence of an organization and their full involvement enables their abilities to be used for the organization's benefit. Principle 4 : Process approach A desired result</p>				
<p>SA BBA_107 PRODUCTION AND OPRATION MANAGEMENT.pdf (D164883416)</p>				

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achieved more efficiently when activities and related resources are managed as a process. Principle 5 : System approach to management Identifying, understanding and managing interrelated processes as a system contributes to the organization's effectiveness and efficiency in achieving its objectives. Principle 6: Continual improvement Continual improvement of the organization's overall performance should be a permanent objective of the organization. Principle 7 : Factual approach to decision making Effective decisions are based on the analysis of data and information Principle 8 : Mutually beneficial supplier relationships An organization and its suppliers are interdependent and a mutually beneficial relationship enhances the ability of both to create value.

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