CHAPTER 6

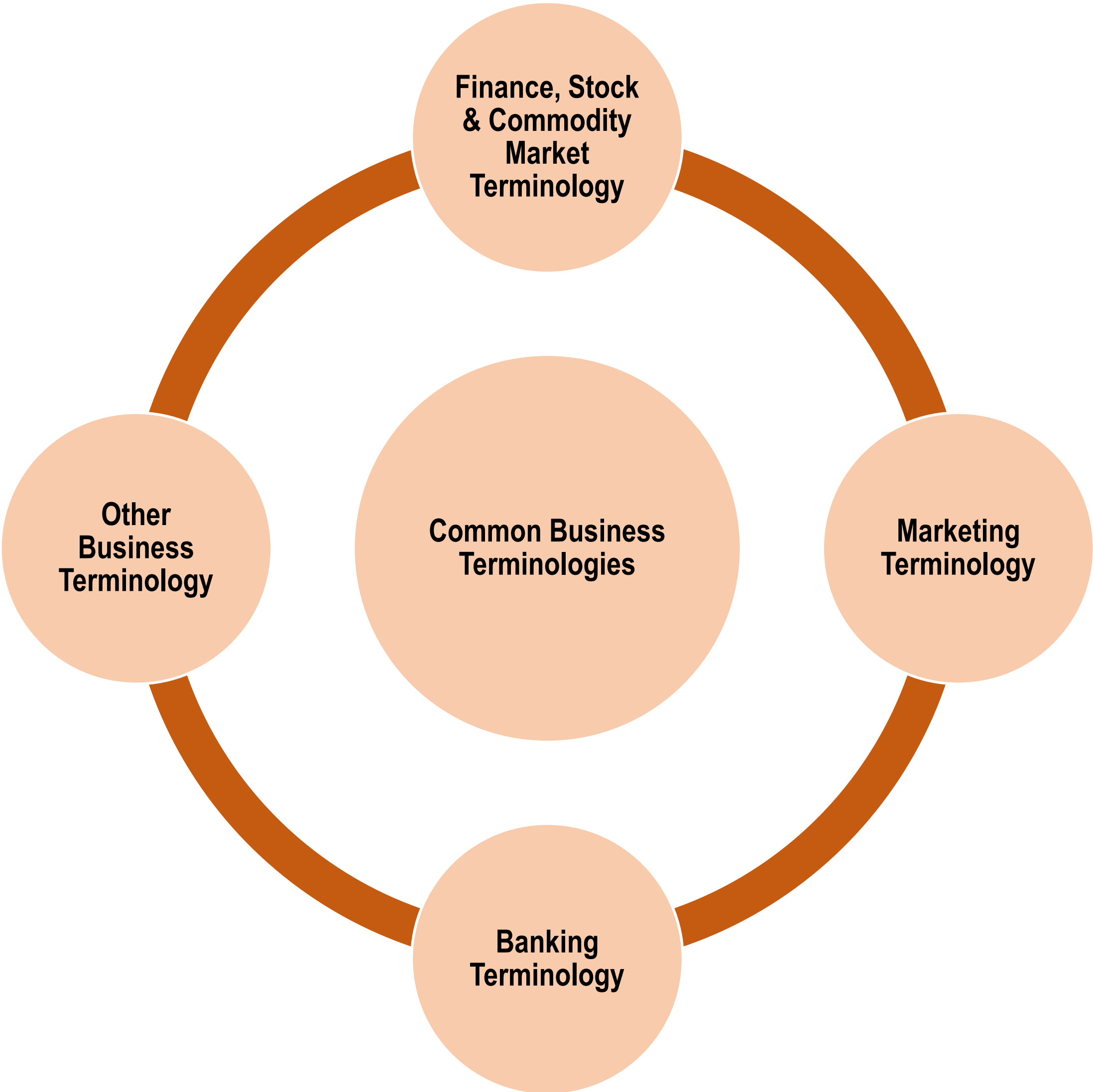
COMMON BUSINESS TERMINOLOGIES

LEARNING OUTCOMES

After studying this chapter, you will be able to:

- Familiarise yourself with the growing lexicon (the vocabulary) of Business & Commercial Knowledge.
- Define the terms used in the areas of Finance, Stock & Commodity Markets, Marketing, Banking and Others.
- Relate better with the terms used in business/ economic newspapers and magazines.
- Use the BCK terms in your academic/ professional conversations and communications.

CHAPTER OVERVIEW



6.1 INTRODUCTION

The domains of Business and Commercial Knowledge (BCK) are ever expanding and evolving and BCK draws its vocabulary from various disciplines. In the first chapter, we spelt the strategies for keeping oneself updated with the BCK. In the preceding chapters, we have drawn on BCK lexicon for elaborating various concepts. In this summing up chapter, we profile the terms used in those chapters and many more in the BCK lexicon. The format of the chapter is more of a glossary/BCK Dictionary. However, we learn better when we contextualise these terms and use these in our conversations and communications. Thus, we encourage you to read more, think much and write and speak these terms for better comprehension of the world of business. This will help you in future.

6.2 BUSINESS - MANY FACETS OF THE SAME REALITY

In Chapter-1 we also saw that how a business may be studied from a technical (Production/Operations), commercial (marketing), economic (financial), social (HR) and political (Legal and Administration) perspectives. Each of these perspectives may be regarded as different windows of the same room. For a holistic awareness of business, we need to know about all the windows, albeit depending upon our need, we may just open one window at a time. Recall, we called business as an eclectic field of study?

Perspectives and Reality

Perspectives are useful-each one in its own right. However, we should not be blinded by our own expertise. For example, to an accountant the firm is just a little more than a sum of Assest, Liabilities, Capital, Revenue and Expenses. And, to a marketing professional, it is all about firm's products, pricing, place (distribution) and promotion. In reality however, the firm is both an accounting entity and a business marketing its products. We need to follow an eclentic approach that is not blinded by or blind to any perspective.

All these perspectives have a lexicon of their own- the jargon (special words or expressions that are used by a particular profession or group).

6.2.1 Technical Facet

Technically a business may be viewed as a transformation process- a huge machine- where in inputs are subjected to the entire process for generating output. Now this interpretation of business can open us to a host of terms in the BCK lexicon. A business's inputs are the various commodities including industrial raw materials-minerals and metals as well as agricultural commodities (especially for agro industries). It is therefore desirable to know about terminologies pertaining to commodity markets.

6.2.2 Commercial Facet

Commercially, business is all about marketing management, that is, planning, organising, directing and controlling a firm's relationships with its customers/ markets. Essentially it comprises the famed **Ps of marketing**- Product, Price, Place and Promotion for **goods marketing** and the additional Ps of People (Sales force's) connects with the customers, Physical Evidence e.g. hygiene in a hospital or a restaurant and Processes e.g. customer service time, que management, etc. for **services marketing.** Here, BCK would also involve the awareness of terminologies pertaining to consumer markets –domestic as well as international.

6.2.3 Financial Facet

From an economic, accounting and financial perspective, business implies investment and the associated returns and risks. Thus, this facet includes sources of business finance and the state of the development of financial markets; maintenance of accounts, preparation of Profit and Loss Account and the Balance Sheet. It involves estimation of cost, revenue and profits and the periodic reporting of the firm's performance.

6.2.4 HR Facet

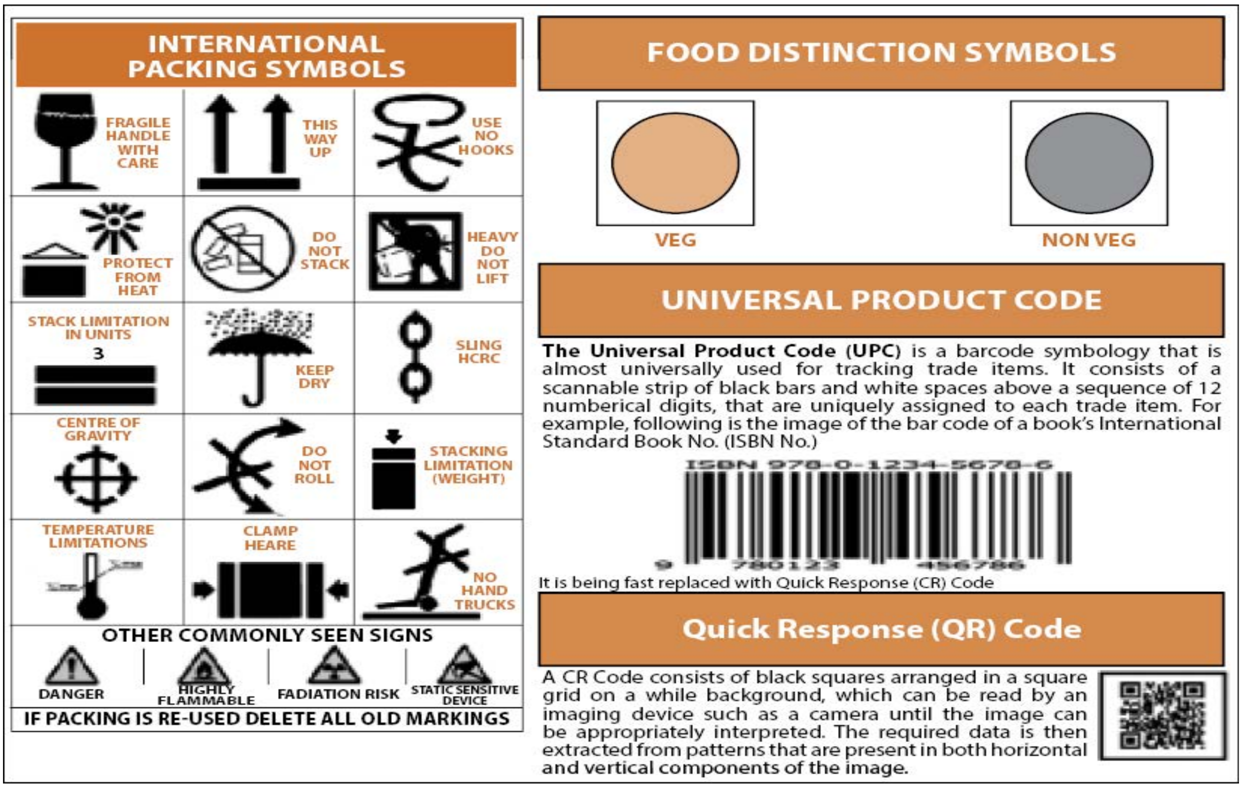
From an HR perspective, a business organisation is all about people occupying different job positions and performing their respective roles, responsibilities and functions. People are said to be an organisation's most precious assets, albeit these assets do no figure in its balance sheet. Their competencies, character, individual motivation and collective morale are believed to have a decisive effect on the organisation's performance. Thus, all the organisational processes and the associated vocabulary of attracting and retaining talented, energetic enthusiastic and ethical human resources is also an integral part of BCK lexicon.

6.2.5 Administrative Facet

Administratively, BCK pertains to the forms of business organisation, regulations, approvals and clearances needed to start and carry on business. It also refers to the internal management and governance processes

The above-mentioned perspectives, might enable you to identify and place the BCK terminologies within a framework. Feel free and encouraged to read and make sense of the reports in business newspapers and magazines. It's quite possible that you will come across many terms not mentioned here. Be advised to prepare a dictionary for yourself. What is even more exciting is the use of signage and symbol in business and commerce.

Sign Language and Symbols in Business



An important caveat about the foregoing discussion of the various perspectives of contextualising the BCK terminologies is necessary. We have stated these facets separately just for the sake of simplicity and clarity. In practice there will be a lot of overlap. Please read the emphasis in the title 'Business- many facets of the same reality.' The emphasis is on the 'same reality.' **For example,** take the technical and the commercial facets.

Whether in-bound or out-bound, order processing, inventory management, deliveries, payments and the associated terminologies would be common. Whether one is purchasing the raw materials or selling the goods, the signs and symbols stated above would be the same.

Secondly, we have already stated the fact that BCK lexicon like the BCK itself is vast and ever evolving and expanding. You may focus on the terms mentioned in the BCK Material thus far (Chapters 1-5) and the terms mentioned in the present chapter.

Finally, we have clubbed finance, stock and commodity market terminologies for overcoming the overlaps and utilised the Other Business Terminologies for including those terms that might pertain to HR, Administrative, Technical and other perspectives not covered in the previous classifications.

6.3 FINANCE, STOCK AND COMMODITY MARKET TERMINOLOGY

Agent: A brokerage firm is said to be an agent when it acts on behalf of the client in buying or purchasing of shares. At no point of time in the entire transaction the agent will own the shares.

Amortize: To amortize is to charge a regular portion of an expenditure over a fixed period of time. **For example:** If something cost ₹ 1,00,000 and is to be amortized over ten years, the financial reports will show an expense of ₹ 10,000 per year for ten years. Intangible assets such as patents and trademarks are amortized in to profit and loss account.

Annuity Due: An annuity whose payments occur at the beginning of each period.

Annuity: A series of payments of an equal amount at fixed intervals for a specified number of periods.

Appreciation: Appreciation is an increase in value. If a machine cost ₹ 5 lakh last year and is now worth ₹ 7 lakh, it has appreciated in value by ₹ 2 lakh.

Arbitrage: Arbitrage is the simultaneous purchase and sale of two identical commodities or instruments. This simultaneous sale and purchase is done in order to take advantage of the price variations in two different markets. For example: Purchase of gold in one nation and the simultaneous sale in another.

Asset: Asset means an economic resource that is expected to be of benefit in the future.

Probable future economic benefits obtained as a result of past transactions or events. Anything of value to which the firm has a legal claim. Any owned tangible or intangible object having economic value useful to the owner. In other words, an asset may be a physical property such as a building, or an object such as a stock certificate, or it may be a right, such as the right to use a patented process. These can be:

i. **Current Assets:** Current Assets are those assets that can be expected to turn into cash within a year or less. For example: Cash, marketable securities, accounts receivable, and inventory.

ii. **Fixed Assets:** Fixed Assets cannot be quickly turned into cash without interfering with business operations. These are valuable items that last more than one year. For example: Land, buildings, machinery, vehicle, equipment, furniture, and long-term investments.

iii. **Intangible Assets:** Intangible Assets are items such as patents, copyrights, trademarks, and other kinds of rights or things of value to a company, which are not physical objects. Often, they do not appear on financial reports.

Ask/Offer: The lowest price at which an owner is willing to sell his securities. The offer is higher than the bid.

Audit: Audit is a careful review of financial records of an organisation to verify their accuracy.

Bad debts: Bad debts are amounts owed to a company that are not going to be paid. An account receivable becomes a bad debt when it is recognized that it won't be paid. Sometimes, bad debts are written off when recognized.

Balance sheet: Balance Sheet is a statement of the financial position of a company at a single specific time (often at the close of business on the last day of the month, quarter, or year.) The balance sheet normally lists all assets on the left side or top while liabilities and capital are listed on the right side or bottom.

Bond: Bond is a type of long-term Promissory Note. Bonds can either be registered in the owner's name or are issued as bearer instruments. It is a written record of a debt payable in the future. The bond shows amount of the debt, due date, and interest rate. It is a promissory note issued by companies or government to its buyers. It speaks about specified amount held for a specified time period by the buyer.

Book Value: Total assets minus total liabilities means book value of Shareholder's equity. Book value also means the value of an asset as recorded on the company's books or financial reports. Book value is often different than true value. It may be more or less.

Breakeven point: It is the amount of revenue from sales which exactly equals the amount of expense. Breakeven point is often expressed as the number of units that must be sold to produce revenues exactly equal to expenses. Sales above the breakeven point produce a profit and below produces loss.

Budget: Budget is a detailed plan for the future, usually expressed in formal quantitative terms. It is also a detailed plan for the acquisition and use of financial and other resources over a specified time period.

Bears: These stock-market players are pessimists; they expect share prices or any other type of investment to fall. In a 'bear market' the general sentiment is that prices are going to go lower and majority of dealers will sell as quickly as possible for fear of holding shares which diminish in value.

Base Price: This is the price of a security at the beginning of the trading day which is used to determine the Day Minimum/Maximum and the Operational ranges for that day.

Basket Trading: Basket trading is a facility by which investors are in a position to buy/sell all 30 scrips of Sensex in the proportion of current weights in the Sensex, in one go.

Bear Market: A market in which stock prices are falling consistently.

Badla: Carrying forward of transaction form one settlement period to the next without effecting delivery or payment. Badla involves carrying forward of a transaction from one settlement period to the next. The carry-forward is done at the making up price, which is usually the closing price of the last day of settlement. A badla transaction attracts the following payments / charges:

a. 'margin money' specified by the stock exchange board; and

b. contango or badla charges (interest charges) determined on the basis of demand and supply forces.

Blue Chips: Blue Chips are shares of large, well established and financially sound companies with an impressive record of earnings and dividends. Generally, Blue Chip shares provide low to moderate current yield and moderate to high capital gains yield. The price volatility of such shares is moderate.

Beta: It is a measurement of relationship between stock price of any particular stock and the movement of whole market.

Bid: It is the highest price a buyer is willing to pay for a stock. It is opposite of ask/offer.

Broker/Brokerage Firm: A registered securities firm are called broker/brokerage firm. Broker's acts as an advisor for purchase and sell of listed stocks, they do not own the securities at any point of the time. But they charge a commission for their service.

Bull Market: A market in which the stock price is increasing consistently.

Business Day: Days on which stock markets are open. Monday to Friday, excluding public holidays. Call: The demand by a company or any other issuer of shares for payment. It may be the demand for full payment on the due date, such as, for example, with a rights issue. It may, alternatively, be the demand for a further payment when the total amount is payable by instalments. A call by a company should not be confused with a call option.

Bonus: A free allotment of shares made in proportion to existing shares out of accumulated reserves. A bonus share does not constitute additional wealth to shareholders. It merely signifies recapitalization of reserves into equity capital. However, the expectation of bonus shares has a bullish impact on market sentiment and causes share prices to go up.

Book Closure: Dates between which a company keeps its register of members closed for updating prior to payment of dividends or issue of new shares or debentures.

Brokerage: Brokerage is the commission charged by the broker. The maximum brokerage chargeable is determined by SEBI.

Bull: A bull is one who expects a rise in price so that he can later sell at a higher price.

Business Risk: The riskiness inherent in the firm's operations if it uses no debt.

Buyer: The trading member who has placed the order for the purchase of the securities

Call Option: An option that is given to investor the right but not obligation to buy a particular stock at a specified price within a specified time period.

Capital Budgeting: The process of planning expenditure on assets whose cash flows are expected to extend beyond one year.

Capital Gains Yield: The capital gain during a given year divided by the beginning price.

Capital Markets: The financial markets for stocks and for intermediate or long-term debt.

Cash Budget: A table showing cash flows (receipts, disbursements, and cash balances) for a firm over a specified period.

Credit Period: The length of time for which credit is granted.

Closing Price: The trade price of a security at the end of a trading day. Based on the closing price of the security, the base price at the beginning of the next trading day is calculated.

Commercial Paper: Unsecured, short-term promissory notes of large firms, usually issued in denominations of ₹ 100,000 or more and having an interest rate somewhat below the prime of lending rate of commercial bank.

Commodities: Product used for commerce that are traded on a separate, authorized commodities platform. Commodities include agricultural products and natural resources.

Convertible Securities: A security (bonds, debentures, preferred stocks) by an issuer that can be converted into other securities of that issuer are known as convertible securities. The conversion usually occurs at the option of the holder, but it may occur at the option of the issuer.

Consolidation: Business combination of two or more entities that occurs when the entities transfer all of their net assets to a new entity created for that purpose.

Creditors: These are people/organisations you owe money to at any particular time – the value of the creditors is included in the published accounts.

Debentures: A type of debt instrument that is not secured by physical assets or collateral. Debentures are backed only by the general creditworthiness and reputation of the issuer. A debenture is an unsecured form of investment.

Debtors: Although debtors are considered an asset, if you are owed a vast amount, this might indicate problems collecting monies owed and possible cash flow difficulties. A debtor is a company or individual who owes money.

Defensive Stock: A stock that provides a constant dividends and stable earnings even in the periods of economic downturn i.e. even in the extreme critical situations of the stock market these companies continue to pay the dividends at a constant rate.

Depreciation: Depreciation is a way of spreading the cost of an asset over its expected useful economic life. It is an expense allowance made for wear and tear on an asset over its estimated useful life. It is an expense that is supposed to reflect the loss in value of a fixed asset. For example: If a machine will completely wear out after ten year's use, the cost of the machine is charged as an expense over the ten-year life rather than all at once, when the machine is purchased. Straight line depreciation charges the same amount to expense each year. Accelerated depreciation charges more to expense in early years, less in later years. Depreciation is an accounting expense.

Derivatives: A security whose price is derived from one or more underlying assets. The most common underlying assets include stocks, bonds, commodities, currencies, interest rates and market indexes.

Diversification: Reducing the investment risk by purchasing shares of different companies operating in different sectors.

Dividend: A portion of the company's earnings decided to pay to its shareholders in return to their investments. It is usually declared as a percentage of current share price or some specified rupee value, usually decided by the board of directors of the company.

Equity (Net Worth): The capital supplied by common stock holders common stock, paid-in capital, retained earnings, and, occasionally, certain reserves. Total equity is common equity plus preferred stock.

Exchange Rate: The number of units of given currency that can be purchased for one unit of another currency.

Face Value: It is the cash denomination or the amount of money the holder of the individual security going to earn from the issuer of the security at the time of maturity. It is also known as par value.

Financial Instrument: A financial instrument is anything that ranges from cash, deed, negotiable instrument, or for that matter any written and authenticated evidence that shows the existence of a transaction or agreement.

Financial Intermediary: A financial intermediary is basically a party or person who acts as a link between a provider who provides securities and the user, who purchases the securities. Share brokers, and almost all the banks, are the best examples of financial intermediaries.

Government Bonds: A government bond, which is also known as a government security, is basically any security that is held with the government and has the highest possible rate of interest.

Hedge: Hedge is a strategy that is used to minimize the risk of a particular investment and maximize the returns of an investment. A 'hedge' strategy is, most of the times, implemented with the help of a hedge fund. This term has been written from the banker's point of view and may be interpreted differently in the field of financial and commodity market.

Holding Period: The holding period is the time duration during which a capital asset is held/owned by an individual or corporation. The holding period is taken into consideration, while pledging the asset as collateral.

Income Stock: A security which has a solid record of dividend payments and offers the dividend higher than the common stocks.

Index: A statistical measurement of change in the economy or security market. Such indices have their own calculation methodology and are usually measured as a percentage change in the base value over the time.

Initial Public Offering (IPO): A company's first issue of shares to general public. IPOs are issued by smaller, younger companies seeking funds for expansion and growth, but large companies also practice this to become publicly traded companies.

Internet Trading: Internet Trading is a platform with Internet as a medium. Internet trading execution takes place through order routing system, which will rout traders order to exchange trading system. Thus, traders sitting in any part of the world can be able to trade using their brokers Internet Trading System. The Securities and Exchange Board of India (SEBI) approved Internet Trading in January 2000.

Limit Order: An order to buy or sell a share at a specified price. The order will be executed only at the specified limit price or even better. A limit order sets a minimum price the seller is willing to accept and maximum price the buyer is willing to pay for it.

Liquidation: A liquidation occurs when the assets of a division are sold off piecemeal, rather than as an operating entity.

Listed Stocks: The shares of a company that are traded on the stock exchange. The company has to pay fees to be listed in the stock exchange and abide by the regulations of the stock exchange to maintain listing privilege.

Market Capitalization: The total value in rupee of all of a company's outstanding shares. It is calculated by multiplying all the outstanding shares with the current market price of one share. It determines the company's size in terms of its wealth.

Money Market: Money market is component of financial market for asset involved in short term borrowing, lending, buying and selling with original maturities of one year or less.

Mutual Fund: A pool of money managed by experts by investing in stocks, bonds and other securities with the objective of improving their savings. These experts will create a diversified portfolio from these funds.

One-sided Market: A market that has only potential sellers or only potential buyers but not both.

Out-of-The-Money (OTM): For call options, this means the stock price is below the strike price. For put options, this means the stock price is above the strike price. The price of out-of-the-money options consists entirely of "time value."

Portfolio: Holding of any individual or institution. A portfolio may include various type of securities of different companies operating in different sectors.

Pre-opening Session: The pre-open session is for duration of 15 minutes i.e. from 9:00 AM to 9:15 AM. In pre-open session order entry, modification and cancellation takes place.

Price Earnings (P/E) Ratio: The market price of a share of stock divided by the earnings (profit) per share. P/E ratios can vary from sky high to dismally low, but may not reflect the true value of a company.

Put Option: An option that gives an investor the right to sell a particular stock at a stated price within a specified time period. Put option is purchased by those who believe that particular stock price is going to fall down than the stated price.

Return On Investment (ROI): ROI is a measure of the effectiveness and efficiency with which managers use the resources available to them, expressed as a percentage. Return on equity is usually net profit after taxes divided by the shareholders' equity. Return on invested capital is usually net profit after taxes plus interest paid on long-term debt divided by the equity plus the long-term debt. Return on assets used is usually the operating profit divided by the assets used to produce the profit. Typically used to evaluate divisions or subsidiaries. Different companies and different industries have different ROIs.

Risk: A probable chances of investments actual returns will be reduced then as calculated. Risk is usually measured by calculating the standard deviation of the historical price returns. Standard deviation is directly proportional to the degree of risk associated.

Securities: A transferable certificate of ownership of investment in products such as stocks, bonds, future contracts and options which an individual holds.

Strike Price: The price at which the holder of an option can buy (in case of call option) or sell (in case of put option) the securities they hold when the option is executed.

Stock: A certificate (or electronic or other record) that indicates ownership of a portion of a corporation; a share of stock. Preferred stock promises its owner a dividend that is usually fixed in amount or percent. Preferred shareholders get paid first out of any profits. They have preference. Common stock has no preference and no fixed rate of return.

Stock also means the stock of goods, the stock on hand, the inventory of a company.

Stock Split: An attempt to increase the number of outstanding shares of a company by splitting the existing shares. It is usually done to increase the availability of shares in the market. The usual split ratio is 2:1 or 3:1, i.e. one share is split into two or three.

Thin Market: A market in which there are comparatively low number of bids to buy and offers to sell. Since the number of transactions is low, the prices are very volatile.

Trading Session: The period of time stock market is open for trading for both sellers and buyers, within this time frame all the orders of the day must be placed. [9:15 AM to 3:30 PM] Here all the orders placed in pre-opening sessions are matched and executed.

Venture Capital: Venture Capital is a form of private equity and a type of financing that investors provide to startup companies and small business that are believed to have long term growth potential.

Yield: It is the measure of return on investments in terms of percentage. Stock yield is calculated by dividing the current price of the share by the annual dividend paid by the company for that share. For example, if the current price of the share is ₹ 100 and the dividend paid is INR 5 per share annually, then the stock yield is 5%.

Yield to Call (YTC): The rate of return earned on a bond if it is called before its maturity date.

Zero Coupon Bond: A bond that pays no annual interest but is sold at a discount below par, thus providing compensation to investors in the form of capital appreciation.

6.4 MARKETING TERMINOLOGY

Advertising Campaign: An organization's programme of advertising activities over a particular period with specific aims, for example an increase in sales or awareness of a product.

Advertising: Advertising is any paid form of non-personal presentation and promotion of ideas, goods and services through mass media such as newspapers, magazines, television or radio by an identified sponsor.

After-Sales Service: The services received after the original goods or services have been paid for. Often this service is provided as part of a warranty or guarantee scheme associated with the product/service purchased.

Agent: Agent is a part of the distribution channel. An agent is effectively a wholesaler who represents buyers and sellers on a relatively permanent basis, performs only a few functions and does not take title to goods.

Barrier to Trade: Something that makes trade between two countries more difficult or expensive. For example: A tax on imports.

Barriers to Entry/Exit: Economic or other characteristics of a marketplace that make it difficult for new firms to enter or exit. Examples include: economies of scale; product differentiation; capital requirements; cost disadvantages other than size; access to distribution channels; government policy; etc.

Benchmarking: Benchmarking is the process of comparing the products and services of a business against those of competitors in a market, or leading businesses in other markets, in order to find ways of improving quality and performance. An analysis of competitor strengths and weaknesses; used to evaluate a firm's relative competitive position, opportunities or improving, and success/failure in achieving such improvement.

Brand: A brand is the specific type of the product form. A brand – represented by a brand name, symbol, design, logo, packaging – is the identity of a particular product form that customers recognise as being different from others.

Brand Equity: Brand equity refers to the value of a brand. Brand equity is based on the extent to which the brand has high brand loyalty, name awareness, perceived quality and strong product associations. Brand equity also includes other "intangible" assets such as patents, trademarks and channel relationships.

Brand Loyalty: It is a strongly motivated and long standing decision of the customer to purchase a particular product or service.

Brand Recognition: It is a customer's awareness that a brand exists and is an alternative to purchase.

Business Model: A company's business model is management's storyline for how the strategy will be a money maker.

Business Portfolio: The business portfolio is the collection of businesses and products that make up the business.

Business to Business: Marketing activity directed from one business to another. This term is often shortened to "B2B".

Buying Behaviour: Buying behaviour concerns the process that buyers go through when deciding whether or not to purchase goods or services. Buying behaviour can be influenced by a variety of external factors and motivations, including marketing activity.

Cash Discount: A reduction in the price of goods given to encourage sale on case basis.

Competitive Advantage: Advantages that a firm has over its competitors.

Competitive Position: The position that a firm has or wishes to achieve within its industry as measured against its competition.

Conglomerate Diversification: A strategy of growing a firm by acquiring other firms for investment purposes; usually little or no anticipated synergy with the acquired firm.

Consortium: Consortium is a combination of several companies working together for a particular purpose, for example in order to buy something or build something.

Consumer Markets: Consumer markets are the markets for products and services bought by individuals for their own or family use.

Corporate Culture: Corporate Culture refers to a company's values, beliefs, business principles, traditions, ways of operating, and internal work environment.

Cross-Selling: Using a customer's buying history to select them for related offers. For example: Selling a car alarm and music systems to new car buyers.

Customer Demand: Consumer demand is a want for a specific product supported by an ability and willingness to pay for it.

Customer Loyalty: Feeling or attitude that inclined a customer either to return to a company, shop or outlet to purchase there again, or else to re-purchase a particular product, service or brand.

Customer Need: A need is a basic requirement that an individual wishes to satisfy.

Customer Satisfaction: The provision of goods or services which fulfil the customer's expectations in terms of quality and service, in relation to price paid.

Customer Wants: A want is a desire for a specific product or service to satisfy the underlying need.

Differentiation: A marketing strategy aimed at ensuring that products and services have a unique element to allow them to stand out from the rest.

Direct Marketing: When businesses and non-profit organizations market their products, services or causes directly to consumers based on consumer interests. Examples include catalogues and other postal mailings, telemarketing, text messages, emails, ads on a mobile device and internet advertising.

Distribution Channel: The network of organisations necessary to distribute goods or services from the manufacturers to the consumers; the distribution channel therefore potentially consists of manufacturers, distributors, wholesalers, retailers and E-tailers.

Diversify: A company, increases the range of goods or services it produces and sells.

E-Commerce: The use of technologies such as the Internet, electronic data exchange and industry extranets to streamline business transactions.

Economy of Scale: A reduction in costs through larger operating units, spreading fixed costs over large numbers of items/units.

External Environment: The conditions and forces that define a firm's competitive position and influences its strategic options. Also, called Competitive Environment.

Fast-Moving Consumer Goods (FMCG): Fast-moving consumer goods are those that sell in high volumes, with low unit value, and have fast consumer repurchase. Examples include, soaps, toothpastes, hair oils, jams, ketchups, packed juices, ready meals, baked beans, etc.

Forecasting: The process of estimating future demands by anticipating what buyers are likely to do under a given set of marketing conditions. For example: Economic confidence, disposal income, pricing levels, etc.

Innovators: Innovators are those who adopt new products first. They are usually relatively young, lively, intelligent, socially and geographically mobile. They are often of a high socioeconomic group.

Internal Marketing: The process of eliciting support for a company and its activities among its own employees, in order to encourage them to promote its goals. This process can happen at a number of levels, from increasing awareness of individual products or marketing campaigns, to explaining overall business strategy.

Joint Venture: A third party commercial operation established by two or more firms to pursue a particular market, resource supply, or other business opportunity. It is created and operated for the benefit of the co-owners.

Long-Term Objectives: A firm's intended performance over a multi-year period of time; usually includes measures such as competitive position profitability, return on investment, technology leadership, productivity, employee relations and development, public responsibility.

Market Development: The process of growing sales by offering existing products (or new versions of them) to new customer groups.

Market Entry: The launch of a new product into a new or existing market. A different strategy is required depending on whether the product is an early or late entrant to the market; the first entrant usually has an automatic advantage, while later entrants need to demonstrate that their products are better, cheaper and so on.

Market Leader: The company that has control over a certain market.

Market Positioning: A marketing strategy that will position a business' products and services against those of its competitors in the minds of consumers.

Market Research: The systematic gathering, recording and analysing of data about problems relating to the marketing of goods and services.

Market Segmentation: Dividing consumers into groups based on different consumer characteristics, to deliver specially designed advertisements that meet these characteristics as closely as possible.

Market Share: Market share can be defined as the percentage of all sales within a market that is held by one brand / product or company.

Market Targeting: Market targeting is the process of evaluating each market segment and selecting the most attractive segments to enter with a particular product or product line.

Marketing: Marketing is the science and art of exploring, creating and delivering value to satisfy the needs of a target market at a profit. Marketing identifies unfulfilled needs and desires. It defines, measures and quantifies the size of the identified market and the profit potential. It pinpoints which segments the company is capable of serving best and it designs and promotes the appropriate products and services.

Marketing Mix: It refers to the firm's marketing elements. It is common to describe these elements in terms of 4Ps of marketing, viz., Product, Price, Place and Promotion. For services marketing usually three additional Ps are referred to, viz, People, Processes and Physical Evidence.

Marketing Plan: A detailed statement (usually prepared annually) of how a company's marketing mix will be used to achieve its market objectives. A plan is usually prepared following a marketing audit.

Mass Marketing: When many consumers receive the same message from businesses and non-profit organizations through mass media, such as broadcast television, radio and newspapers, regardless of consumer interests.

Merger: Merger is considered to be a process when two or more companies come together to expand their business operations.

Mission: The unique purpose of a firm that sets it apart from firms of its type; identifies scope of operations including markets, customers, products, distribution, technology, etc. in manner that reflects values and priorities of the firm's strategies.

Niche Marketing: Niche marketing refers to the exploitation of comparatively small market segments by businesses that decide to concentrate their efforts. Niche segments exist in nearly all markets. *For example*: atta noodles for health conscious.

Opportunities: Opportunities are any feature of the external environment which creates conditions that a business can exploit to its advantage. If the business is successful in exploiting opportunities, then it will be better placed to achieve its objectives.

Personal Selling: Oral communication with potential buyers of a product with the intention of making a sale. The personal selling may focus initially on developing a relationship with the potential buyer, but will always ultimately end with an attempt to "close the sale".

Pre-Emptive Pricing: Pre-emptive pricing is a strategy involves setting low prices in order to discourage or deter potential new entrants to the suppliers market.

Price: The price of a product may be seen as a financial expression of the value of that product.

Price Discrimination: Price discrimination occurs when a firm charges a different price to different groups of consumers for an identical good or service, for reasons not associated with costs. For example, bottled water is priced differently in shopping malls and cinema halls.

Price Elasticity of Demand: Price elasticity of demand measures the responsiveness of a change in demand for a product following a change in its own price.

Price Sensitivity: Price sensitivity is the effect a change in price will have on customers.

Price Skimming: Price skimming involves charging a relatively high price for a short time where a new, innovative, or much-improved product is launched onto a market.

Publicity: Promotional activities designed to promote a business and its products by obtaining media coverage not paid for by the business.

Sales Promotion: Sales promotion refers to any activity designed to boost the sales of a product or service. It may include an advertising campaign, increased PR activity, a free-sample campaign, arranging demonstrations or exhibitions, setting up competitions with attractive prizes, temporary price reductions, door-to-door calling, telephone-selling, personal letters on other methods.

Short-Term Objectives: Usually one year objectives sometimes known as Annual Objectives. They often coincide with Long-Term Objectives; they usually indicate the speed at which management wants the organization to progress.

Stakeholder: A person, group, or business that has an interest in the outcomes of a firm's operations.

Strength: A skill, resource, or other advantage that a firm has relative to its competitors that is important to serving the needs of customers in its marketplace.

Target Marketing: Reaching out to a group of consumers sharing common consumer characteristics with the most appropriate advertisements.

Telemarketing: Using the telephone to contact individuals about an advertiser's products or services, or to get support for a cause.

Test Marketing: Test marketing occurs when a new product is tested with a sample of customers, or launched in a restricted geographical area, to judge customers' reactions.

Threats: Threats are any aspect of the external environment which cause problems and which may prevent achievement of objectives. Almost by definition, what presents a threat to one business offers an opportunity to other businesses.

Unique Selling Proposition (USP): A unique selling proposition is a customer benefit that no other product can claim.

Weakness: A limitation or lack of skills, resources, or capabilities that impedes a firm's effective performance.

6.5 BANKING TERMINOLOGY

Acceptance: Acceptance which is also known as the banker's acceptance is a signed instrument of acknowledgment that indicates the approval and acceptance of all terms and conditions of any agreement on behalf of the banker. It is a very wide term that is used in context with financial agreements and contracts.

Accepting House: An accepting house is a banking or finance organization that specializes in the service of acceptance and guarantee of bills of exchange. This organization specializes in two prominent functions, that is facilitating the different negotiable instruments and merchant banking.

Account Balance: The total amount of money in a particular bank account, along with the debit and credit amounts, the net amount is also termed as the account balance.

Accrued Interest: Accrued Interest is the interest, accumulated on an investment but is not yet paid. Often, accrued interest is also termed as interest receivable. Some banking books prefer to call it as the interest that is earned, but not yet paid.

Administered Rates: Administered rates are the rates of interest which can be changed contractually by lender. In some cases, these rates can also be changed by the depositor and also the payee. The laws and provisions that monitor the concept of administered rates differ in each jurisdiction.

American Depository Receipt (ADR): American depository receipts, also known as ADRs, are depository receipts which are equal to a specific number of shares of company that have been issued in a foreign country. American depository receipts are traded only in the United States of America. Similar mechanism exists for other countries also.

Annuities: Annuities are contracts that guarantee income or return, in exchange of a huge sum of money that is deposited, either at the same time or is paid with the help of periodic payments. Some of the common types of annuities include the deferred, fixed, immediate or variable variants.

Automated Clearing House: An automated clearing house is nation-wide electronic clearing houses that monitors and administers the process of check and fund clearance between banks. It is an electronic system and thus minimizes the human work in the process of clearance. It distributes credit and debit balances automatically.

Automated Teller Machines: Automated teller machines are basically used to conduct transactions with the bank, electronically. The automated teller machine is an excellent example of integration of computers and electronics into the field of banking.

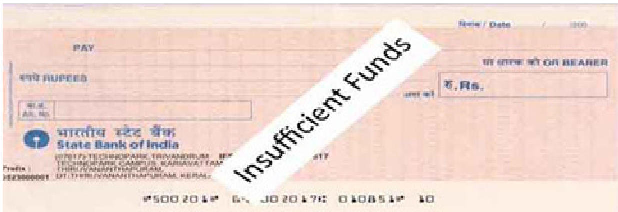
Balance Transfer: A balance transfer is the repayment of a credit debt with the help of another source of credit. In some cases, balance transfer also refers to transfer of funds from one account to another.

Bank Account: A bank account is an account held by a person with a bank, with the help of which the account holder can deposit, safeguard his money, earn interest and also make cheque payments.

Bank Rate: It is the interest rate at which the Central Bank in the discharge of its function as Banker's Bank lends to the commercial banks. Since this lending may be in the form of discounting of the securities pledged, it is also called the discount rate.

Basis Point: It is a measure of change in financial parameters such as interest, stock indices and market rates. It is 1/100 of one percent.

Bounced Cheque: A bounced cheque is nothing but an ordinary bank cheque that any bank can refuse to encash or pay because of the fact that there are no sufficient finances in the bank account of the originator or drawer of the cheque or some other valid reason.



Bridge Financing: Also, known as gap financing, bridge financing is a loan where the time and cash flow between a short term loan and a long term loan is filled up. Bridge financing begins at the end of the time period of the first loan and ends with the start of the time period of the second loan, thereby bridging the gap between two loans. It is also known as gap financing.

Cap: A cap is a limit that regulates the increase or decrease in the rate of interest and installments of an adjustable-rate mortgage.

Cashier's Cheque: The cashier's cheque is drawn by a bank on its own name to may payments other organizations, banks, corporations or even individuals.

Cash Reserve: The cash reserve is the total amount of cash that is present in the bank account and can also be withdrawn immediately.

Certificate of Deposit: The certificate of deposit is a certificate of savings deposit that promises the depositor the sum back along with appropriate interest.

Cheque: A cheque is a negotiable instrument that instructs the bank to pay a particular amount of money from the writer's bank, to the receiver of the cheque.

Clearing: Clearing of a cheque is basically a function that is executed at the clearing house, when all amount of the cheque is subtracted from the payer's account and then added to the payee's account.

Clearing House: The clearing house is a place where the representatives of the different banks meet for confirming and clearing all the checks and balances with each other. The clearing house, in most countries across the world, is managed by the central bank.

Compound Interest: Compound interest is the interest that is 'compounded' on a sum of money that is deposited. The compound interest, unlike simple interest, is calculated by taking into consideration, the principal amount and the accumulated interest.

Debit Card: A debit card is an instrument that was developed with digital cash technology, and is used when a consumer makes that payment first to the credit card company and then swipes the card. The debit card operates in the exact opposite manner of the credit card.

Deposit Slip: A deposit slip is a bill of itemized nature and depicts the amount of paper money, coins and the check numbers that are being deposited into a bank account.

Depositor: The person who deposits money into a bank account is called a depositor.

Debt Settlement: Debt settlement is a procedure wherein a person in debt negotiates the price with the lender of a loan, in order to reduce the installments and the rate of repayment and ensure a fast and guaranteed repayment.

Debt Repayment: Debt repayment is the total process repayment of a debt along with the interest. Sometimes, the consolidation that is provided is also included in debt repayment.

Debt Recovery: Debt recovery is the process that is initiated by the banks and lending institutions, by various procedures like debt settlement or selling of collaterals.

E-Cash: It is also known as electronic cash and digital cash. E-cash is a technology where the banking organizations resort to the use of electronic, computer, internet and other networks to execute transactions and transfer funds.

Early Withdrawal Penalty: An early withdrawal penalty is basically a penalty that is levied by a bank because of an early withdrawal of a fixed investment by any investor. There can be several types of early withdrawal penalties, like forfeiting the promised interest.

Earnest Money Deposit: An earnest money deposit is made by the buyer to the potential seller of a real estate, in the initial stages of negotiation of purchase.

Expiration Date: This term indicates the invalidity of a financial document or instrument, after a specified period of time.

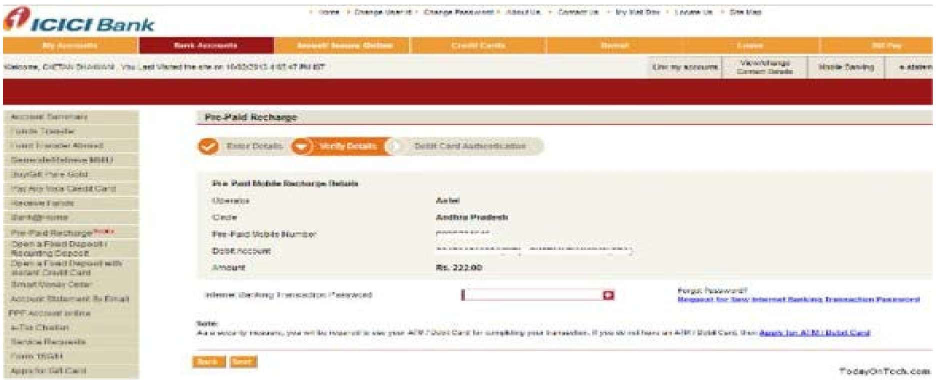
Education Loan: An education loan, also known as student's loan, is specifically meant to provide forth borrower's expenditure towards education. In the majority of countries, educational loans tend to have a low rate of interest. The period of repayment also starts after the completion period of the loan.

Guarantor: A guarantor is a creator of trust who takes the responsibility of the repayment of a loan, and is also, in some cases, liable and equally responsible for the repayment of the loan.

Installment Contract: An installment contract is a contract where the borrower, who is also the purchaser, pays a series of installments that includes the interest of the principal amount.

Interest / Interest Rate: Interest is a charge that is paid by any borrower or debtor for the use of money, which is calculated on the basis of the rate of interest, time period of the debt and the principal amount that was borrowed. Interest is, sometimes, also titled as the 'cost of credit'. Interest rate is the percentage of principal amount that is paid as an interest for the use of money.

Internet Banking: Internet banking is a system wherein customers can conduct their transactions through the Internet. This kind of banking is also known as e-banking or online banking.



Letter of Credit: A document issued by a bank (on behalf of the buyer or the importer), stating its commitment to pay a third party (seller or the exporter), a specific amount, for the purchase of goods by its customer, who is the buyer. The seller has to meet the conditions given in the document and submit the relevant documents, in order to receive the payment. Letters of credit are mainly used in international trade transactions of huge amounts, wherein the customer and the supplier live in different countries.

Lock-in Period: A guarantee given by the lender that there will be no change in the quoted mortgage rates for a specified period of time, which is called the lock-in period.

Mortgage: A mortgage is a legal agreement between the lender and the borrower where real estate property is used as collateral for the loan, in order to secure the payment of the debt. According to the mortgage agreement, the lender of the loan is authorized to confiscate the property, the moment the borrower stops paying the installments.

Maturity: The term maturity is used to indicate the end of investment period of any fixed investment or security. After maturity, the investor is repaid the invested amount along with the interest that has been accumulated. For example, on the maturity of a one year fixed deposit, the invested sum along with the accumulated interest, is transferred by the bank to the account of the investor.

Market Value: Market value is the value at which the demand of consumers and the supply of the manufacturers decide the price of a commodity or service. The market value is the equilibrium point on the supply and demand graph, where the demand and supply curves meet. Thus, market value is decided on the basis of the number people who demand a commodity and the number of commodities that the sellers are capable of selling.

Online Banking: The accessing of bank information, accounts and transactions with the help of a computer through the financial institution's website on the Internet is called online banking. It is also called Internet banking or e-banking.

Overdraft: It is a check or rather an amount of check, which is above the balance available in the account of the payer.

Payee: Payee is the person to whom the money is to be paid by the payer.

Payer: Payer is the person who pays the money to the payee.

Personal Identification Number (PIN): Personal identification number or PIN is a secret code of numbers and alphabets given to customers to perform transactions through an automatic teller machine or an ATM.

Repo Rate. The rate at which banks borrow money from the RBI against pledging or sale of government securities to RBI is known as "Repo Rate." Repo rate is short form of Repurchase Rate. Generally, these loans are for short durations up to 2 weeks. Repo Rate differs from Bank Rate with respect to the time horizon. Repo Rate is a short-term measure and it refers to short-term loans. On the other hand, Bank Rate is a long term measure and is governed by the long-term monetary policies of the RBI.

Reverse Repo Rate. It is the rate of interest offered by RBI, when banks deposit their surplus funds with the RBI for short periods.

Smart Cards: Unlike debit and credit cards (with magnetic stripes), smart cards possess a computer chip, which is used for data storage, processing and identification.

Syndicated Loan: A very large loan extended by a group of small banks to a single borrower, especially corporate borrowers. In most cases of syndicated loans, there will be a lead bank, which provides a part of the loan and syndicates the balance amount to other banks.

Time Deposit: A kind of bank deposit which the investor is not able to withdraw, before a time fixed when making the deposit.

Value At Risk (VAR): The sum or portion of the value that is at stake of subject to loss from a variation in prevalent interest rates.

Wholesale Banking: Wholesale banking is a term used for banks which offer services to other corporate entities, large institutions and other financial institutions.

Zero Balance Account: A bank account which does not require any minimum balance is termed as a zero balance account.

Zero-Down-Payment Mortgage: Zero-down-payment mortgage is a type of mortgage given to a buyer who does not make any down payments while borrowing. The mortgage buyer borrows the amount at the entire purchase price. ***For example***, *Jan Dhan Account*.

6.6 OTHER BUSINESS TERMINOLOGY

Acquisition: When one organization takes over the other organization and controls all its business operations, it is known as acquisitions. In this process of acquisition, one financially strong organization overpowers the weaker one.

Bankruptcy: A bankruptcy refers to economic insolvency, wherein the person's assets are liquidated, to pay off all liabilities with the help of a bankruptcy trustee or a court of law.

Bottom-Line: In plain English bottom line means the most important fact or aspect of anything. In BCK, it may be defined as the firm's income after all expenses have been deducted from revenues. These expenses include interest charges paid on loans, general and administrative costs and income taxes. In simpler words, it is the same thing as **Net Profits** for these mattered the most for the owners of the firm. In today's context, a firm's performance is evaluated not on the basis of such an economic performance as net profits alone but also on the basis of contribution to the communities and the conservation of the environment. See, Triple Bottom Line.

Business Environment: It is a set of all the variables external to the firm but influence its decision-making and in turn are also influenced by it.

Business Facilitators: These are individuals, organisations/ institutions and all other arrangements that ease the setting up of, operating and exiting from business.

Corporate Forms of Business Organisation: These are the forms of business organisation where in the eyes of law the business entity is distinct from its owners. It can own the assets and owe to others as an artificial legal person. Thus, the liability of business owners can be limited to a predetermined amount. Company is the ideal representation of the corporate forms of business organisation.

Corporate Governance: It is a system of overseeing the affairs of a corporation to ensure that they are conducted in an ethical manner and as per provisions of law. The mechanism of corporate governance includes (a) the board of directors who appoint, oversee and reward the management team; (b) independent audit of the accounts of the company; (c) reporting of the performance to the markets (stock exchanges) and business media. All these are examples of the system of corporate governance.

Electronic Commerce: It broadly refers to the Internet and mobile telephony based applications for conducting business and commerce. The latter more precisely is known as mobile commerce. It includes not only such pure e-commerce businesses as Amazon but also includes such business functions as E-marketing, Internet Marketing, etc. Usually a typical e-commerce retailing will have an order placement, tracking and delivery end as well as on-line payment end.

Electronic Filing: Electronic filing is system of filing information required by regulators, government and others electronically. In taxation, it is a method of filing of tax returns and tax forms on the Internet.

Globalisation: It is a systematic process of removing the barriers to international trade in goods and services and the international flows of capital. Some people argue that it should include barrier free movement of labour as well. Collectively all this results in the greater integration of a country's economy with the economy of the Rest of the World.

Goodwill: Goodwill in accounting is the difference between what a company pays when it buys the assets of another company and the book value of those assets. Sometimes, real goodwill is a company's good reputation, the loyalty of its customers, and so on.

Infrastructure: It means the basic facilities e.g. buildings, roads, power supplies needed for the operation of a society or enterprise. For example, the firm infrastructure would comprise its factories, offices, warehouses etc.

Joint Products and By-Products: Joint products represent "two or more products separated in the course of the same processing operation, usually requiring further processing each product being in such proportion that no single product can be designed as a major product". For example: In the oil industry, gasoline, fuel oil lubricants, paraffin, coal tar, asphalt and kerosene are all produced from crude petroleum. By-products are defined as "products recovered from material discarded in a main process, or from the production of some major products, where the material value is to be considered at the time of severance from the main product". Thus, by-products emerge as a result of processing operation of another product or they are produced from the scrap or waste of materials of a process. For example, molasses in sugar industry.

Liberalisation: It refers to a systematic process of easing of government's control over the private business activity. It is often contrasted with the license and permit era where the businesses had to obtain government licences and permissions (permits) to start or grow a business. Liberalisation is one of three pillars of the New Economic Policy (NEP) of the Government of India since 1990s. The other two pillars are privatisation and globalisation. That is why the NEP is also known as LPG or GPL where G, L, and P respectively imply globalisation, liberalisation and privatisation.

Logistics: It is a commercial activity implying moving of supplies to the production facilities and goods and services to their respective markets. Inbound logistics imply the movement of inputs and the outbound logistics means the movement of outputs.

Merger: When two or more companies come together to increase their strength and financial gains along with breaking the trade barriers in a newly created entity.

Mission: A company's Mission statement is typically focused on its present business scope – "who we are and what we do"; mission statements broadly describe an organizations present capabilities, customer focus, activities, and business makeup.

PESTLE: It is a mnemonic i.e. a pattern of letters that helps in remembering the various elements of the macro environment of business. In its expanded form, it denotes P for Political, E for Economic, S for Social, T for Technological, L for Legal and E for Environment (natural environment).

Privatisation: It is a systematic process of dispensing with the state ownership of business enterprises. One way of doing this could be by way of listing the shares of public corporations on the stock exchanges.

Proprietary Forms of Business Organisations: These are the forms of business organisation where the law does not distinguish between the business as a separate entity distinct from its owners. Consequently, the liabilities of the business are considered as the personal liabilities of the owners. Sole-proprietorship and partnership may be cited as the best representative examples of the proprietary form of business organisation.

Returns and Risks: These are the two sides of the business's outcomes particularly for its owners and generally for all investments. Individuals and businesses invest their resources in expectation of the returns or rewards, that may be simply called profits. However, these expectations may not always realise at all or fully. The non/ partial realisation of expectations is called risk. In certain investments, such risks are non-existent or so low as to label these as risk free investments. For example, if a person deposits her /his savings in a savings banks account of recurring deposit account or a fixed deposit account of a bank, the returns are almost assured. But most other investments, more so investment in business entail risks. Thus, those who undertake the risks expect commensurate returns as well. Thus, the cliché higher the risk-higher the returns.

Sustainable Development: Sustainable development (SD) is a broader measure of the development of a country that includes economic parameters such as income and non-economic parameters such as social equity and ecological balance. It emphasises simultaneous attention to economic growth, social equity and environmental conservation. It is the macro context of business's Triple Bottom Line. In another sense, it also used at individual business organisations.

Term Insurance: It is the insurance for a certain time period which provides for no defrayal to the insured individual, excluding losses during the period, and that becomes null upon its expiration.

Triple Bottom Line (TBL): It is the BCK philosophy that promotes the belief and evaluates the business's performance on the basis that attainment of profit, care for people and care for the planet are equally important. The equal emphasis on these triple Ps, viz., Profits, People and Planet is known as the TBL. This idea at the macro level corresponds to the more evolved notion of the development of a country's economy, society and ecology. See sustainable development.

Turnaround: A turnaround is the financial recovery of a company that has been performing poorly for an extended time. To affect a turnaround, a company must acknowledge and identify its problems, consider changes in management, and develop and implement a problem-solving strategy.

Vision: A strategic vision is a road map 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.

Whole Life Insurance: A whole life insurance is a contract between the insurer and the policy owner, that the insurer will pay the sum of money on the occurrence of the event mentioned in the policy to the insured. It's a concept wherein the insurer mitigates the loss caused to the insured on the basis of certain principles.

TEST YOUR KNOWLEDGE

Multiple Choice Questions (MCQS)

1. What is consolidation?

   (a) It is an expense that is supposed to reflect the loss in value of a fixed asset.

   (b) Combination of two or more entities that occurs when the entities transfer all their net assets to a new entity created for that purpose.

   (c) Potential liability arising from a past transaction or a subsequent event.

   (d) Costs that can be attributed clearly to the activity you are considering.

2. A portion of the after-tax profits paid out to the owners of a business as a return on their investment is:

   (a) Dividend

   (b) Expense

   (c) Expenditure

   (d) Deferred income

3. Which of the following statements are true?

   (a) Brand equity refers to the value of a brand.

   (b) Brand equity is based on the extent to which the brand has high brand loyalty, name awareness, perceived quality and strong product associations.

   (c) Brand equity includes other "intangible" assets such as patents, trademarks and channel relationships.

   (d) All of the above

4. What is meant by B2B?

   (a) Buying behaviour that concerns the process that buyers go through when deciding whether or not to purchase goods or services.

   (b) A company's business model is management's storyline for how the strategy will be a money maker.

   (c) Marketing activity directed from one business to another.

   (d) None of the above

5. _______ is the process of estimating future demand by anticipating what buyers are likely to do under a given set of marketing conditions.

   (a) Cross marketing

   (b) Forecasting

   (c) Market development

   (d) Internal marketing

6. The exploitation of comparatively small market segments by businesses that decide to concentrate their efforts is called:

   (a) Niche marketing

   (b) Mass marketing

   (c) Market segmentation

   (d) Market positioning

7. 'Personal selling' is done through:

   (a) Written communication

(b) Oral communication

(c) TV and media

(d) Sign language

8. What is price sensitivity?

(a) The effect a change in price will have on customers.

(b) Charging a relatively high price for a short time where a new, innovative, or much-improved product is launched onto a market.

(c) A strategy involves setting low prices in order to discourage or deter potential new entrants to the supplier's market.

(d) It measures the responsiveness of a change in demand for a product following a change in its own price.

9. What is a bull market?

(a) A market in which the stock price are increasing consistently.

(b) A market in which the stock price are decreasing consistently.

(c) A market in which the stock price are stable over a long time.

(d) None of the above

10. Carrying forward of transaction form one settlement period to the next without effecting delivery or payment is called__________.

(a) Badla

(b) Beta

(c) Blue chips

(d) Basket trading

11. Bid is the opposite of

(a) Ask/offer

(b) Call

(c) Equity

(d) None of the above

12. A stock that provides a constant dividends and stable earnings even in the periods of economic downturn is __________.

(a) Defensive Stock

(b) Cash budget

(c) Income stock

(d) Listed stock

13. What are mutual funds?

    (a) A pool of money managed by experts by investing in stocks, bonds and other securities with the objective of improving their savings.

    (b) A number of shares which are less than or greater than but not equal to the board lot size.

    (c) A company's first issue of shares to general public.

    (d) None of the above

14. ____________ is the measure of return on investments in terms of percentage.

    (a) Yield

    (b) Index

    (c) Equity

    (d) Bonus

15. The number of units of given currency that can be purchased for one unit of another currency is called ________.

    (a) Current ratio

    (b) Exchange rate

    (c) Equity

    (d) dividend

16. Risk is a probable chance that investments' actual returns will be _____ than as calculated.

    (a) Increased

    (b) Reduced

    (c) Equal

    (d) None of the above

17. _________is a very wide term that is used in context with financial agreements and contracts.

    (a) Account balance

    (b) Acceptance

    (c) Annuity

    (d) Arbitrage

18. What is a cap?

    (a) A cap is a limit that regulates the increase or decrease in the rate of interest and instalments of an adjustable rate mortgage.

    (b) A cap is the total amount of cash that is present in the bank account and can also be withdrawn immediately.

(c) A cap is the certificate of savings deposit that promises the depositor the sum back along with appropriate interest.

(d) A cap is a loan where the time and cash flow between a short term loan and a long term loan is filled up.

19. A negotiable instrument that instructs the bank to pay a particular amount of money from the writer's bank, to the receiver is called

(a) A cheque

(b) A draft

(c) An overdraft

(d) RTGS

20. What is a financial instrument?

(a) anything that ranges from cash, deed, negotiable instrument, or for that matter any written and authenticated evidence that shows the existence of a transaction or agreement.

(b) is basically any security that is held with the government and has the highest possible rate of interest.

(c) is a contract where the borrower, who is also the purchaser, pays a series of instalments that includes the interest of the principal amount

(d) none of the above

21. ______ is a strategy that is used to minimize the risk of a particular investment and maximize the returns of an investment.

(a) Cap

(b) Encryption

(c) Hedge

(d) Term insurance

22. ____________ is a technology where the banking organizations resort to the use of electronics, computers and other networks to execute transactions and transfer funds.

(a) E-cash

(b) Digi-cash

(c) Hedge

(d) Cap

23. _________________ is the simultaneous purchase and sale of two identical commodities or instruments. This simultaneous sale and purchase is done in order to take advantage of the price variations in two different markets.

(a) Cap

(b) Term insurance

(c) Arbitrage

(d) Hedge

24. A guarantee given by the lender that there will be no change in the quoted mortgage rates for a specified period of time, which is called the ______________________________.

(a) Lock-in period

(b) Maturity

(c) Holding Period

(d) Due date

25. ________is a road map of company's future.

(a) Objective

(b) Goal

(c) Vision

(d) Aim

26. When two or more companies come together to expand their business operations.

(a) Joint venture

(b) Acquisition

(c) Consolidation

(d) Merger

27. Four P's of marketing are:

(a) Product, Price, Purchase, Place

(b) Product, Price, Place, Promotion

(c). Place, Procurement, Price, Promotion

(d). Promotion, Product, Procurement, Presence

28. Which of the following statement is incorrect?

(a) Arbitrage is simultaneous purchase and sale of a commodity.

(b) Current assets are those which can be turned into cash within a year.

(c) Intangible assets are those which do not have physical form. They are in the form of rights.

(d) Break-even point is also called an optimum point of a firm.

29. Which of the following is incorrect?

(a) Market is a bullish, when stock-market players are optimist and bearish when they are pessimist.

(b) Blue chips are shares of well-established sound finance companies having impressive record.

(c) Bonus is one month extra salary which is paid to employee irrespective of profit or loss.

(d) Debentures is a debt instrument that carries assured return called interest.

30. Marketing mix includes 4 Ps and 4Cs. Match the following and prepare the proper combinations:

4 P's	4 C's
Product	Convenience
Price	Communication
Promotion	Cost
Place	Customers' satisfaction

(a) Product-Communication, Price-Cost, Promotion- Customers' satisfaction, Place-Convenience

(b) Product-Customer's satisfaction, Price-Cost, Promotion- Convenience, Place- Communication

(c) Product- Convenience, Price-Cost, Promotion-Communication, Place- Customer's satisfaction

(d) Product-Customer's satisfaction, Price-Cost, Promotion-Communication, Place-Convenience

31. A loan where the time and cash flow between a short-term loan and a long-term loan is filled up is called as which of the following?

(a) Basis point

(b) Cap

(c) Annuities

(d) Bridge financing

32. A very large loan extended by a group of small banks to a single corporate borrower is called as which of the following?

(a) Time Deposit

(b) Long term loan

(c) Annuities

(d) Syndicated loan

33. Which one of the following is not related to funds transfer in banks?

(a) RTGS

(b) NEFT

(c) IFSC

(d) CRR and SLR

34. ADR stands for:

(a) American Deficit Record

(b) American Depository Receipt

(c) Asset Depreciation Record

(d) Asset Depository Receipt

35. Which of the following are the additional Ps of Marketing?

(a) People, Product, Place

(b) Product, Price, Place

(c) Promotion, Product, Purpose

(d) People, Physical Evidence, Processes

Answer Keys

1	(b)	**2**	(a)	**3**	(d)	**4**	(c)	**5**	(b)
6	(a)	**7**	(b)	**8**	(a)	**9**	(a)	**10**	(a)
11	(a)	**12**	(a)	**13**	(a)	**14**	(a)	**15**	(b)
16	(b)	**17**	(b)	**18**	(a)	**19**	(a)	**20**	(a)
21	(c)	**22**	(a)	**23**	(c)	**24**	(a)	**25**	(c)
26	(d)	**27**	(b)	**28**	(d)	**29**	(c)	**30**	(d)
31	(d)	**32**	(d)	**33**	(d)	**34**	(b)	**35**	(d)