



2018

PREPARATORY KNOWLEDGE BUILDER



This document has been prepared by the Konquest committee of IIM Kozhikode. Every reasonable effort has been made to ensure that the information provided in this document is accurate. However, information given here is not exhaustive and aspirants are advised to further explore the topics of their interest to enhance their knowledge of the same.

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On the day of your WAT, GD & PI

1. Make sure you are properly dressed and are looking tidy.

Men: Light coloured shirts (preferably with blazer), trousers, and clean shaven with neatly polished shoes

Women: Salwar suits, Sarees or formal shirts & trousers, appropriate footwear

2. Ensure that you have all required documents, arranged in the specified order.
3. Make sure you reach the venue prior to the stipulated time. Have a contingency.
4. Have a proper meal before your interview and a good sleep the previous night.
5. May the force be with you!

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Some Generic HR Questions

About you

- Tell me about yourself.
- What is unique about you?
- What are your strengths?
- What are your weaknesses?
- Which adjectives would you use to describe yourself?
- What past accomplishments gave you satisfaction?

About career choices

- Why MBA?
- Why MBA right now?
- Why do you think MBA suits you?
- Where do you see yourself five (ten or fifteen) years from now?

About the institute

- What do you know about our institute?
- Why do you want to join this institute?
- What will you bring to our institute?
- What if you do not get admission into MBA?

About teamwork/leadership

- Do you enjoy working in groups? Are you a team player?
- How you added value in a team?
- What have you done that demonstrates leadership?
- What have you done that demonstrates teamwork?

- What qualities do you feel a successful manager should have?

About the situations you have faced

- Situation where you persuaded a group of people to do something
- How you solved a conflicting situation
- Explain how you overcame a major obstacle.
- An incident where your work was criticized?

About ethics

- What is ethics to you? Do you think ethics be taught?
- Do you think you are ethical?
- Give an example from your life where you did not follow ethics?
- An incident where you faced an ethical dilemma? Have you faced conflict of interest? How did you resolve?

About your philosophy

- Who is your role model?
- What motivates you? What makes you want to work hard?
- What is success to you?
- What is failure according to you?
- What would you like to improve about yourself

And finally

- Any questions I could answer for you?

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Union Budget 2018

Abstract

This Union Budget came against the backdrop of a raft of reforms, economic slowdown and fiscal stress.

While the budget proposals will incrementally contribute to economic expansion, with its de facto elements of stimulus, the pace of growth will largely be due to factors outside the budget.

Growth has already bottomed out, so the key drivers in fiscal 2019 will be: 1) improved ability to benefit from strong global growth as domestic headwinds from demonetization and implementation of the Goods and Services Tax fade, 2) enhanced ability of banks to lend following recapitalization, and 3) normal monsoons.

Highlights

The government has for the second consecutive year already breached its fiscal deficit to gross domestic product (GDP) target of 3%. As opposed to a budgeted 3.2%, fiscal deficit in fiscal 2018 stood at 3.5% of GDP and is budgeted at 3.3% in fiscal 2019.

But the more worrisome part is that the breach in fiscal deficit is despite a cut in capital expenditure (Cap-Ex); that means, had the government stuck to its targeted capital expenditure for fiscal 2018, fiscal deficit would have been still higher.

Three announcements stood out – the new National Health Protection Scheme (NHPS), the facilitations to deepen the corporate bond market, and lowering of corporate tax for the micro, small and medium enterprises.

NHPS proposes to provide 10 crores poor and vulnerable families coverage of up to Rs 5 lakh per family per year for secondary and tertiary care hospitalization. The scheme – India's version of "Obamacare" – is certainly ambitious, as it proposes to cover a whopping one-third of Indian households.

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The budget lacked big ideas to boost consumption, which would be a disappointment for consumption-oriented sectors, although the rural thrust could provide some succour. The salaried class, particularly, would have been hoping for more.

The imposition of long term capital gains tax on sale of equity shares and equity-oriented mutual funds was a widely-expected move. This could bring in some volatility in the short term even as the proposal to 'grandfather' gains made up to January 31, 2018, limits the impact. Regardless, equity will continue to be a preferred investment option for long-term financial planning.

Important Announcements

1. Agriculture:

- NITI Aayog to put in place optimal mechanism to ensure farmers receive adequate prices for their produce
- Minimum support price (MSP) for kharif crops (that have not been announced) to be at least 1.5x of production cost
- Agro institutional credit up 10% at Rs 11 lakh crores compared with the budgeted number of last year
- Development and up gradation of 22,000 rural haats into gramian agricultural markets (GrAMs)
- Agro market infrastructure fund, with an outlay of Rs 2,000 crores, to be set up for developing and upgrading agricultural marketing infrastructure in the 22,000 GrAMs and 585 agricultural produce market committees
- To set up state-of-the-art testing facilities in all 42 mega food parks
- 100% tax exemption to farmer producer organisations (FPOs) with turnover of up to Rs 100 crores
- Rs 500 crores outlay announced for 'Operation Greens' to address price volatility of perishable commodities, such as potato, tomato and onion
- Allocation to Pradhan Mantri Fasal Bima Yojana increased 44% to Rs 13,000 crores from Union Budget 2017-18 estimate of Rs 9,000 crores
- NITI Aayog to evolve a mechanism to enable access to credit of lessee cultivators

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- Allocation to Pradhan Mantri Krishi Sinchayi Yojna (PMKSY) increased 26% to Rs 9,324 crores, split between Ministry of Water Resources, Department of Agriculture, Cooperation and Farmers' Welfare, and Department of Land Resources
- Allocation for fertiliser subsidy at Rs 70,090 crores. Revised estimate for Budget 2017-18 was 7% lower than budgeted estimate

2. Automobiles:

- Increase in basic customs duty to 15% from 10% on radial tyre imports for trucks and buses
- Subsidy for over 1000 e-vehicles (EVs) and charging infrastructure for public transport in 11 cities
- Agriculture and rural-focused announcements, including hike in MSPs, corpus for developing agricultural markets, a 10% on-year increase in institutional credit for agriculture sector to Rs 11 lakh crores
- Reduction in corporate tax from 30% to 25% for companies having turnover less than Rs 250 crores

3. Financials: Affordable housing

- Higher credit targets for the agricultural sector and Pradhan Mantri Mudra Yojana at Rs 11 lakh crores and Rs 3 lakh crores, respectively
- The limit on the tax deducted at source (TDS) for interest income on deposits has been raised from Rs 10,000 to Rs 50,000 for senior citizens
- Affordable housing fund to be set up under the National Housing Bank
- The Securities and Exchange Board of India (SEBI) will mandate large corporates to meet about one-fourth of their financing requirement from the bond market
- The National Health Protection Scheme (NHPS) will provide coverage of up to Rs 5 lakh per family per year for secondary- and tertiary-care hospitalization to more than 10 crores households
- Three public-sector general insurance companies to be merged

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4. Healthcare:

- A new National Health Protection Scheme (NHPS) to provide cover for 10 crores families (~50 crores individuals) of up to Rs 5 lakh per family per annum, for secondary and tertiary healthcare/hospitalization expenses
- Rashtriya Swasthya Bima Yojana (RSBY) allocation hiked to Rs 2,000 crores in fiscal 2019 from Rs 1,000 crores in fiscal 2018
- Rs 1,200 crores allocated for 1.5 lakh new comprehensive health care and wellness centres
- 24 government medical colleges and hospitals to be set up by upgrading existing district hospitals
- Rs 600 crores allocated for nutritional support to all tuberculosis patients at the rate of Rs 500 per month during treatment
- Increase in allocation under Jan Aushadhi scheme to Rs 84 crores for fiscal 2019 from Rs 75 crores in fiscal 2018

5. Railways:

- Capital outlay rises to Rs 1,46,500 crores, budgetary allocation stands at Rs 53,060 crores
- Rolling-stock procurement gets a boost with 12,000 wagons, 5,160 coaches, and 700 locomotives
- Budgetary allocation for safety increased to Rs 19,215 crores
- Outlay for electrification jumps to Rs 6,297 crores
- Outlay for network expansion grows to Rs 28,484 crores

6. Household Appliances:

- Customs duty hiked on LCD/LED TV panels from 7.5% to 15.0%
- Customs duty hiked on panel TV components from 10.0% to 15.0%
- Education cess of 3.0% replaced by social welfare surcharge of 10.0%

7. MSME (Micro, Small & Medium Enterprises):

- Corporate tax rate for entities having turnover of less than Rs 250 crores reduced from 30% to 25%

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- Fiscal 2019 target set at Rs 3 lakh crores under the Pradhan Mantri Mudra Yojana, 25% higher than the targets of fiscal 2018
- Increase in customs duty on a few auto-components by 5-7.5% across vehicle categories

8. Capital Markets:

- After having increased the long-term capital gains (LTCG) for market-linked debt investment products in the Union Budget 2014-15, this year the budget introduced LTCG for equity investments while retaining security transaction tax (STT).
- The new regime will tax equity investments at 10% without indexation for an investment horizon of more than one year, subject to threshold capital gains of over Rs 1 lakh per assessee per year.
- The latest rule will be applicable for incremental investment gains from February 1, 2018.

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Current Affairs: India

I. Lok Sabha Passes Insolvency & Bankruptcy Code Amendment Bill, 2017

The Lok Sabha has passed the Insolvency and Bankruptcy Code (Amendment) Bill 2017. This was to make way for tightening loopholes in existing code. This would put certain safeguards to prevent unscrupulous persons from misusing or vitiating provisions of the Bankruptcy Code. The Amendment Act and the IBC Ordinance were designed to strengthen the insolvency resolution process and bar certain ineligible persons from participating in the resolution process.

Reference Link:

<https://economictimes.indiatimes.com/news/economy/policy/lok-sabha-passes-insolvency-and-bankruptcy-code-amendment-bill/articleshow/62297120.cms>

II. Lok Sabha Passes Triple Talaq Bill

The Lok Sabha has passed a landmark bill that makes 'triple talaq' a criminal offence. This law proposes a three-year jail term for a Muslim man who uses the word 'talaq' thrice. The Bill is now in the Rajya Sabha, where the BJP and its allies do not have a majority. Some of its key allies, such as the AIADMK, the Telugu Desam Party and the Biju Janata Dal, are against the penal provision.

Reference Link:

<https://economictimes.indiatimes.com/news/politics-and-nation/lok-sabha-passes-triple-talaq-bill-by-voice-vote/articleshow/62283649.cms>

III. GST Rolled-out by Government of India

The Lok Sabha passed the much-awaited Central Goods and Services Tax (CGST) Bill, Integrated GST Bill, Compensation GST Bill and Union Territory GST Bill 2017. India moved a step closer to becoming a unified market and this extends pan-India except to Jammu and Kashmir for now. Multiple indirect taxes increased the administrative costs but with GST in place, compliance burden has eased and sector are expected to grow progressively.

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Reference Link:

<https://economictimes.indiatimes.com/news/economy/policy/how-gst-will-impact-a-common-mans-budget/articleshow/60011410.cms>

IV. Doklam Crisis

The Doklam crisis was one of the toughest foreign policy challenges for India in recent times. Having successfully stopped China's road-building efforts, India had three tasks — hold the line on the ground and prepare for a military retaliation by China; maintain Bhutan's interests and territorial integrity, and brave the inevitable Chinese pressure. India was clear that if it capitulated, it would lose all credibility in its neighbourhood and in the ASEAN region where India is positioning itself not only as a major player but as a net security provider.

Reference Link:

<http://www.thehindu.com/news/national/what-is-the-doklam-issue-all-about/article22536937.ece>

V. Right to Privacy Verdict

A nine-judge bench of the Supreme Court ruled that Indians enjoy a fundamental right to privacy, which it is intrinsic to life and liberty and thus comes under Article 21 of the Indian constitution. In its 547-page judgment that declares privacy to be a fundamental right, the Supreme Court has overruled verdicts given in the M.P. Sharma case in 1958 and the Kharak Singh case in 1961, both of which said that the right to privacy is not protected under the Indian constitution.

Reference Link:

<http://www.livemint.com/Politics/RzzefgmBSSNrWODUJklGEP/Privacy-as-a-fundamental-right-What-Supreme-Court-judges-sa.html>

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Current Affairs: World

I. WannaCry Ransomware

WannaCry is a Ransomware worm that spread rapidly through across a number of computer networks in May of 2017. After infecting a Windows computer, it encrypts files on the PC's hard drive, making them impossible for users to access, and then demands a ransom payment in Bitcoin in order to decrypt them.

A number of factors made the initial spread of WannaCry particularly noteworthy: it struck a number of important and high-profile systems, including many in Britain's National Health Service; it exploited a Windows vulnerability that was suspected to have been first discovered by the United States National Security Agency; and it was tentatively linked by Symantec and other security researchers to the Lazarus Group.

Reference Links:

<https://www.csoonline.com/article/3227906/ransomware/what-is-wannacry-ransomware-how-does-it-infect-and-who-was-responsible.html>

<http://www.telegraph.co.uk/technology/0/ransomware-does-work/>

II. #MeToo Movement

Me Too" (or "#MeToo") spread virally in October 2017 as two-word hash tag used on social media to help demonstrate the widespread prevalence of sexual assault and harassment, especially in the workplace. It followed soon after the public revelations of sexual misconduct allegations against Harvey Weinstein. The phrase, long used by social activist Tarana Burke to help survivors realize they are not alone, was popularized by actress Alyssa Milano when she encouraged women to tweet it to "give people a sense of the magnitude of the problem." Since then, the phrase has been posted online millions of times, often with an accompanying personal story of sexual harassment or assault. The response on Twitter included high-profile posts from several celebrities, and many stories of sexual violence were shared, including Gwyneth Paltrow, Jennifer Lawrence & Uma Thurman.

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Reference links:

<http://www.baltimoresun.com/news/opinion/oped/bs-ed-op-1220-metoo-toofar-20171219-story.html>

III. North Korea Nuclear Threat

In 2017, North Korea has demonstrated two intercontinental ballistic missile tests, each one now putting the United States in range. The first on July 4th went 1,700 miles into space and flew for 39 minutes. The second test on July 28th, flew an astonishing 2,300 miles into space and was in the air for 45 minutes. It was the longest and farthest missile test in the history of the rogue communist regime, and that missile test flew about seven times higher into space than the orbit of NASA's International Space Station. The UN Security Council introduced new sanctions against the rogue state after its continued missile testing. The tough impositions were introduced in an attempt to ban nearly 90 percent of refined petroleum product exports to North Korea. South Korea and Japan are at great risk of casualties should Kim Jong-Un decide to strike a nuclear attack. Russian Security Council Secretary, Nikolay Patrushev, warned that tens of thousands of Americans will also die if President Donald Trump attacks North Korea.

Reference links:

<https://edition.cnn.com/2016/12/28/asia/north-korea-kim-jong-un-year-end-lookahead/index.html>

IV. Rohingya Crisis in Bangladesh

The Rohingya, who numbered around one million in Myanmar at the start of 2017, are one of the many ethnic minorities in the country. Rohingya Muslims represent the largest percentage of Muslims in Myanmar, with the majority living in Rakhine state. They have their own language and culture and say they are descendants of Arab traders and other groups who have been in the region for generations. But the government of Myanmar, a predominantly Buddhist country, denies the Rohingya citizenship and even excluded them from the 2014 census, refusing to recognize them as a people. It sees them as illegal immigrants from Bangladesh.

Reference links:

<https://www.cfr.org/background/rohingya-crisis>

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V. US Pulling Out of the Paris Climate Accord

President Trump announced on Thursday that the United States would withdraw from the Paris climate accord, weakening efforts to combat global warming and embracing isolationist voices in his White House who argued that the agreement was a pernicious threat to the economy and American sovereignty. In a speech from the Rose Garden, Mr. Trump said the landmark 2015 pact imposed wildly unfair environmental standards on American businesses and workers. He vowed to stand with the people of the United States against what he called a “draconian” international deal.

President Trump’s decision to abandon the agreement for environmental action signed by 195 nations is a remarkable rebuke to heads of state, climate activists, corporate executives and members of the president’s own staff, who all failed to change his mind with an intense, last-minute lobbying blitz. The Paris agreement was intended to bind the world community into battling rising temperatures in concert, and the departure of the Earth’s second-largest polluter is a major blow.

Reference links:

<https://www.nytimes.com/2017/06/01/climate/us-paris-accord-what-happens-next.html>

<https://www.nytimes.com/2017/06/01/climate/trump-paris-climate-agreement.html>

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Economic Survey 2018

Economic Survey is an annual document of the Ministry of Finance, Government of India, and reviews the developments in the Indian economy over the previous 12 months, summarises the performance on major development programs, and highlights the policy initiatives of the government and the prospects of the economy in the short to medium term.

Following are the highlights of the Economic Survey 2017-18 tabled by Finance Minister Arun Jaitley in the Lok Sabha on January 29, 2018.

- The GDP growth rate for the fiscal year 2017-2018 is pegged at 6.75% by the Economic Survey report. The government, in its advance GDP estimate, had estimated a growth of 6.5%.
- In the fiscal year 2019, the survey said that the Indian economy is expected to grow between 7% and 7.5%. The International Monetary Fund (IMF) has also said that India could grow at 7.4% in the current year 2018, as against China's 6.8%.
- On the implementation of the Goods and Service Tax (GST), the survey said that there has been a 50% increase in number of indirect taxpayers; Large increase in voluntary registrations; distribution of GST base closely linked to size of economies; strong correlation between export performance and state's standard of living and India's formal sector was found to be substantially greater than currently believed, the economic survey said.
- The level of tax filers by November 2017 was 31% greater. The economic survey said that it translated roughly into about 1.8 million additional taxpayers due to demonetization-cum-GST, representing 3% of existing taxpayers
- The Agriculture growth in FY18 likely to be at 2.1%, while the Industry growth for FY18 likely to be 4.4%.
- Services growth for FY18 likely to be at 8.3% and the country's economy should witness improvement in next fiscal year.
- The IBC resolution process could prove a valuable technology for tackling this long-standing problem in the Indian corporate sector.

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- The apparel sector has immense potential to drive economic growth, increase employment, and empower women in India. This is especially true as China's share of global apparel exports has come down in recent years. However, India has not, or not yet, capitalized on this opening.
- In the last three fiscal years, India experienced a positive term of trade shock. But in the first three quarters of 2017-18, oil prices have been about 16 percent greater in dollar terms than in the previous year (Table 1). It is estimated that a \$10 per barrel increase in the price of oil reduces growth by 0.2-0.3 percentage points, increases WPI inflation by about 1.7 percentage points and worsens the CAD by about \$9-10 billion dollars. Economic Survey calls for "policy vigilance" in coming year if high oil prices persist or stock prices correct sharply.
- The Headline inflation has been below 4 per cent for twelve straight months, from November, 2016 to October, 2017 and CPI food inflation averaged around one per cent during April-December in the current financial year. The Survey observes that the economy has witnessed a gradual transition from a period of high and variable inflation to more stable prices in the last four years.
- Current account deficit expected to average 1.5-2% of the GDP this fiscal, while export growth is pegged at 12.1%.
- The survey said that India will need \$4.5 trillion investment in infrastructure by 2040.

Policy Rates

Policy Repo Rate	6.00%
Reverse Repo Rate	5.75%
Marginal Standing Facility Rate	6.25%
Bank Rate	6.25%

Reserve Ratios

Cash Reserve Ratio	4%
Statutory Liquidity Ratio (SLR)	19.5%

Reference links:

<https://rbi.org.in/home.aspx>

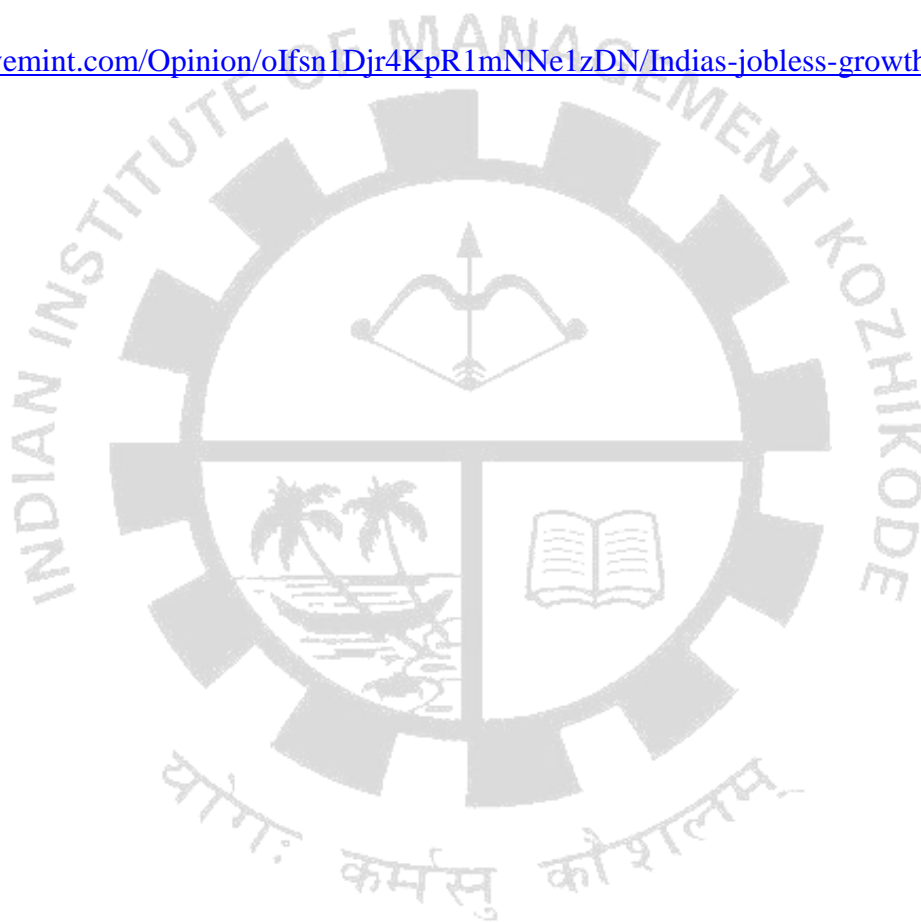
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Jobless Growth

Despite being one of the fastest growing economies India's jobs haven't kept up with this pace of economic growth. The problem of jobless growth can be viewed from two varying perspectives as given in the articles below:

<http://www.livemint.com/Opinion/vq9GUtDmIQfoQnKHOSvnGK/Indias-jobless-growth-is-a-myth.html>

<http://www.livemint.com/Opinion/olfsn1Djr4KpR1mNNe1zDN/Indias-jobless-growth-is-not-a-myth.html>



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Economics

Economics is a social science concerned with the factors that determine the production, distribution, and consumption of goods and services. Economics focuses on the behaviour and interactions of economic agents and how economies work.

What is Economy?

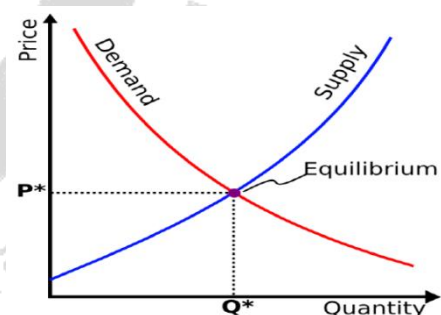
An economy is an area of the production, distribution, or trade, and consumption of goods and services by different agents in a given geographical location. Production, exchange and consumption of goods and services are among the basic economic activities of life.

Microeconomics is the study of economics at an individual, group or company level. Microeconomics focuses on issues that affect individuals and companies. It also focuses on supply and demand and other forces that determine the price levels seen in the economy.

Macroeconomics, on the other hand, is the study of a national economy as a whole. This looks at economy-wide phenomena, such as Gross National Product (GDP) and how it is affected by changes in unemployment, national income, rate of growth, and price levels.

What is Law of Demand?

Law of demand states that as price falls, consumers are willing to buy more of the good. **Demand** is the willingness and ability of consumers to purchase a given amount of a good or service at a given price. **Supply** is the willingness of sellers to offer a given quantity of a good or service. The interaction of buyers and sellers in a market results in equilibrium. **Equilibrium** exists when the highest price willingly paid by buyers is just equal to the lowest price willingly accepted by the sellers.



What is Consumer Surplus and Demand Surplus?

Consumer Surplus is a measure of how much net benefit buyers enjoy from the ability to participate in a particular market.

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Producer Surplus is the difference between the total revenue sellers receive from selling a given amount of a good, on the one hand, and the total variable cost of producing that amount, on the other hand.

Opportunity Cost

Economics deals with choosing one alternative among various alternatives. The choice of one alternative implies sacrifice of other alternatives; hence cost of this choice will be evaluated in terms of the sacrificed alternatives. The cost of this choice is the benefit of the next best alternative foregone. This is called opportunity cost.

Gross Domestic Product

The monetary value of all the finished goods and services produced within a country's borders in a specific time period, though GDP is usually calculated on an annual basis. GDP is commonly used as an indicator of the economic health of a country, as well as to gauge a country's standard of living. It represents the total dollar value of all goods and services produced over a specific time period; you can think of it as the size of the economy.

Fiscal Policy and Monetary Policy

Monetary Policy is the macroeconomic policy laid down by the central bank. It involves management of money supply and interest rate and is the demand side economic policy used by the government of a country to achieve macroeconomic objectives like inflation, consumption, growth and liquidity.

Fiscal Policy is the means by which a government adjusts its spending levels and tax rates to monitor and influence a nation's economy.

These two policies are used in various combinations to direct a country's economic goals.

Bank Rate

Bank Rate (**currently 6.75%**) is the rate of interest which a central bank charges on the loans and advances to a commercial bank. Whenever a bank has a shortage of funds, they can typically borrow from the central bank based on the monetary policy of the country. This is typically done on a quarterly basis to control inflation and stabilize the country's exchange rates.

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Repo Rate

Repo Rate (**currently 6.25%**) is the rate at which the central or federal bank of a country (Reserve Bank of India in case of India) lends money to commercial banks in the event of any shortfall of funds. Repo rate is used by monetary authorities to control inflation.

Reverse Repo Rate

Reverse Repo Rate (**currently 5.75%**) is the short term borrowing rate at which the banks park their money with the central or federal bank of a country (Reserve Bank of India in case of India). An increase in the reverse repo rate means that the banks will get a higher rate of interest from RBI.

Cash Reserve Ratio (CRR)

Banks in India are required to hold a certain proportion of their deposits in the form of cash. However, Banks don't hold these as cash with themselves, they deposit such cash (aka currency chests) with Reserve Bank of India, which is considered as equivalent to holding cash with themselves. This minimum ratio (that is the part of the total deposits to be held as cash) is stipulated by the RBI and is known as the CRR or Cash Reserve Ratio. It currently stands at **4.00%**.

Statutory Liquidity Ratio (SLR)

Statutory Liquidity Ratio (**currently 20.50%**) is the amount of money that is invested in certain specified securities predominantly central government and state government securities. The SLR, the money goes into investment predominantly in the central government securities.

Inflation

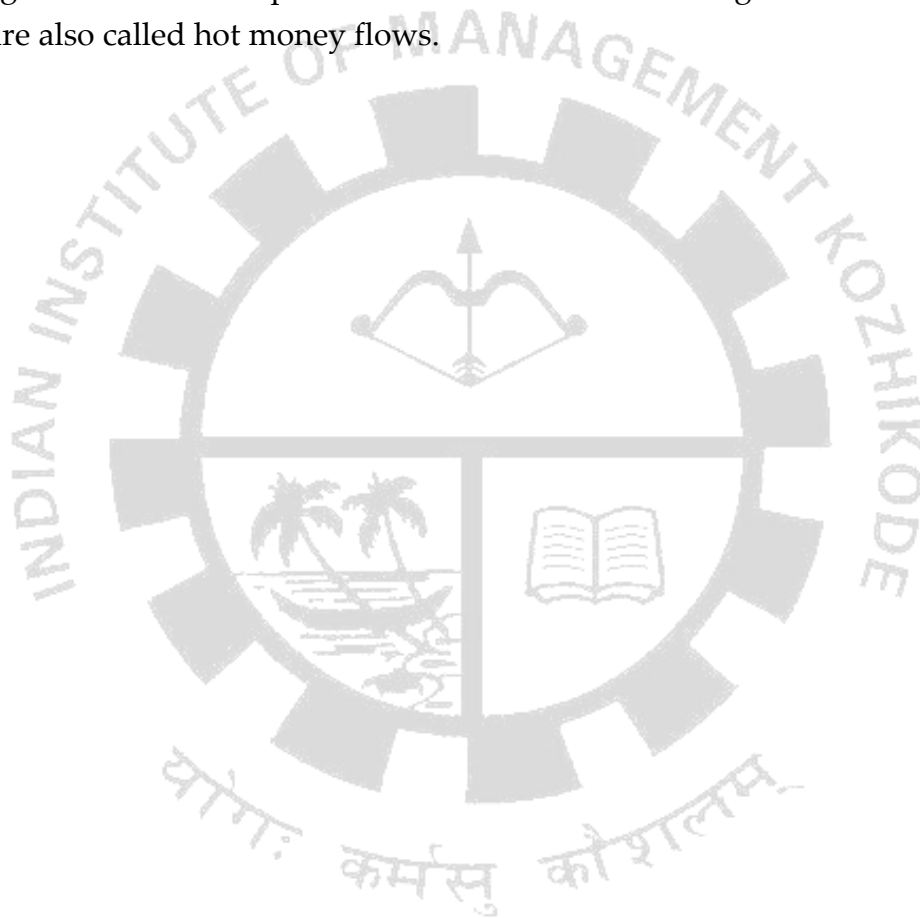
Inflation is the rate at which the general level of prices for goods and services is rising and, consequently, the purchasing power of currency is falling. Central banks attempt to limit inflation, and avoid deflation, in order to keep the economy running smoothly. For example, if the inflation rate is 3% annually, then theoretically a Rs. 100 can of Red Bull will cost Rs. 103 in a year. After inflation, your money can't buy the same goods it could beforehand.

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FDI & FII

Foreign Direct Investment (FDI) refers to the investment by foreign investors in projects in the country. This type of investment is more involved with the management, technology transfer and other field expertise and knowhow in the project.

FII refers to Foreign Institutional Investors. These investors invest in the country indirectly by purchasing stocks of the companies listed on the stock exchanges. The FII money inflows or outflows are also called hot money flows.



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Finance

What is Finance?

Finance is a science that studies the management, creation and study of money, banking, credit, investments, assets and liabilities that make up financial systems, as well as the study of those financial instruments.

Finance can be divided into three distinct categories: public finance, corporate finance and personal finance. **Public Finance** includes tax systems, government expenditures, budget procedures, stabilization instruments, debt issues and other government concerns. **Corporate Finance** involves managing assets and debt for a business. **Personal Finance** includes proper management of an individual's income and expenses so enough money is left over for savings.

What is Accounting?

Accounting is the systematic and comprehensive recording of financial transactions pertaining to a business, and it also refers to the process of summarizing, analyzing and reporting these transactions to oversight agencies and tax collection entities.

Financial Statements

A financial statement is a formal record of the financial activities and position of a business, person, or other entity. Relevant financial information is presented in a structured manner and in a form easy to understand. They typically include basic financial statements, accompanied by a management discussion and analysis. Financial statements involve:

Balance Sheet or Statement of Financial Position is the snapshot - position of a business as on a particular date. It reports a company's assets, liabilities, and owners' equity at a given point in time.

Income Statement or Profit & Loss account gives the income earned and expenses, and therefore the profit, for a particular period. It provides information on the operation of the enterprise which includes sales and the various expenses incurred during the stated period.

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Cash Flow Statement reports on a company's cash flow activities, particularly its operating, investing and financing activities. The cash flow statement fulfils the requirement of tracking the cash of a business.

Financial Markets

A financial market is a market in which people trade financial securities, commodities, and other fungible items of value at low transaction costs and at prices that reflect supply and demand. Securities include stocks and bonds, and commodities include precious metals or agricultural products.

Money Market deals with the trade of short-term instruments maturing within a period of one year such as inter-corporate deposits, certificate of deposits, treasury bonds, commercial papers, commercial bills, etc. Money market participants are large institutional investors, commercial banks, mutual funds, and corporate bodies.

Capital Market deals with longer maturity financial assets and claims. Capital market includes trading in the financial instruments such as shares (equity as well as preference), public sector bonds and units of mutual funds. Examples: Governments issue Treasury Bonds in the Bond Market, Company through its IPO, taps the investing public for capital and is therefore using the capital markets.

Shares

The capital of a company is divided into shares. Each share forms a unit of ownership of a company and is offered for sale so as to raise capital for the company. Shares can be broadly divided into two categories - equity and preference shares. **Equity Shares** give their holders the power to share the earnings/profits in the company as well as a vote in the AGMs of the company. On the other hand, **Preference Shares** earn their holders only dividends, which are fixed, giving no voting rights.

Bonds

A bond is a debt investment in which an investor loans money to an entity (typically corporate or governmental) which borrows the funds for a defined period of time at a variable or fixed interest rate. Bonds are used by companies, municipalities, states and

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sovereign governments to raise money and finance a variety of projects and activities. Owners of bonds are debt-holders, or creditors, of the issuer. Bonds are commonly referred to as fixed-income securities and are one of the three main asset classes, along with stocks and cash equivalents.

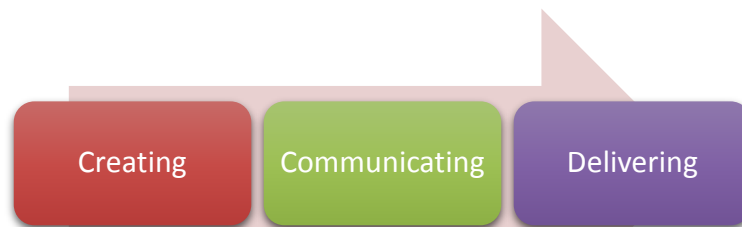
IPOs and FPOs

Initial Public Offering (IPO) or stock market launch is a type of public offering in which shares of a company usually are sold to the general public, on a securities exchange, for the first time. Through this process, a privately held company transforms into a public company. IPOs are often issued by smaller, younger companies seeking capital to expand, but they can also be done by large privately owned companies looking to become publicly traded.

Follow on Public Offer (FPO) is a process by which a company, which is already listed on an exchange, issues new shares to the investors or the existing shareholders, usually the promoters. FPO is used by companies to diversify their equity base. A company uses FPO after it has gone through the process of an IPO and decides to make more of its shares available to the public or to raise capital to expand or pay off debt.

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Marketing



What is Marketing?

Philip Kotler defines marketing as the social process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others.

According to the American Marketing Association, "Marketing is an organizational function and a set of processes for creating, communicating, and delivering value to the customers and for managing customer relationships in ways that benefit the organization and its stakeholders."

The Marketing Concepts

The marketing concept is the philosophy that urges organization to focus on their customers' needs. Analysing their needs and making such decisions that satisfy those needs in a better way than competitors. To have a better understanding of marketing concept, it's worthwhile to review the other philosophies that once were dominated and are still being practiced by some of the firms.

What is the Target Market?

The first step is to determine exactly which the target market is. This can be by market research and deciding which target market will give the best returns.

A further step in marketing research is the consumer preferences study. This study will help the firm determine the needs wants and demands of the target market thereby helping the firm in deciding their strategies.

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Segmentation, Targeting, Positioning

Segmentation is the process of profiling diverse buyer groups on the basis of some geographic, demographic, psychographic or behavioural metric.

Targeting involves deciding which group of the market we are targeting, i.e., for whom are we creating this product/service.

Positioning is how the above offering is fixated in the minds of the target buyers. So, with the positioning according to a particular target segment, the product will attract that set of customers.

Apart from STP, there are 3 more important definitions which you should know. This is the famous **Needs, Wants** and **Demands** triad. A need is a basic human desire. A specific need is called a want. Demand is a want constrained by the depth of your pockets.

Marketing Mix

The term "marketing-mix," was first coined by Neil Borden, the president of the American Marketing Association in 1953. The various approaches that are used have evolved over time, especially with the increased use of technology. The marketing mix applies to both goods and services. For goods, it is often referred to as 4Ps which includes product, price, place, promotion. However, for services it is referred to as 7Ps which includes the 4Ps of goods along with people, process and physical evidence.

- a) **Product** – A product is seen as an item that satisfies what a consumer needs or wants. It is a tangible good or an intangible service. A product can add value in multiple ways for different target consumers. This signifies the product or the service the company is bringing to the market, its key features, and its USP's (Unique Selling propositions).
- b) **Place** – Place is the point where products are made available to customers. This signifies the placement of the product/service. It includes where the product will be visible to the consumers and where they can buy it. A business has to decide on the most cost-effective way to make their products easily available to customers. This involves selecting the best channel of distribution.
- c) **Price** – This signifies the pricing strategy of the product. It includes at what price point the product/service will be sold to the target segment. Pricing strategy is important for

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companies who wish to achieve success by finding the price point where they can maximize sales and profits. Companies may use a variety of pricing strategies, depending on their own unique marketing goals and objectives such as List price, Discounts, Allowance, Payment period, and Credit terms.

- d) **Promotion** – Promotion refers to the methods used by a business to make customers aware of its product. This involves the strategy with which the company will attract customers and promote its product in various media (print, TV, social). Advertising is just one of the means a business can use to create publicity. Businesses create an overall promotional mix by putting together a combination of the following strategies: Advertising, Sales promotions, Personal selling, and Direct marketing.

Other Generic Terms

Sales, Marketing, Porter's five forces, PESTLE, Breakeven point, Return on investment, SWOT analysis, Penetration, Market share, B2B, B2C, Wholesale, Retail, e-tail, Branding, Product differentiation, Market research, Market segment, Trademarks, Sample, Product line, Point of Sale, Price skimming, Promotion, Competitive pricing, Penetration pricing, Predatory pricing, Disposable income.

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Consulting

What is Consulting?

Consulting is all about solving problems and developing strategies to improve efficiency and performance in businesses or functions. Many consulting firms also use business-related case studies to test candidates' ability to think commercially, but guesstimates isolate your core critical thinking abilities from your knowledge of the industry you're hoping to join. This means interviewers can assess how you respond to unfamiliar situations and your raw ability to succeed in the job.

1) Thinking on your feet

Don't panic. This part of the interview is designed to test your ability to remain calm, act rationally and think logically, whatever is thrown at you.

2) Logical thought process

Whether your methodology is top-down or bottom-up, interviewers want to see that you can break down a problem, identify the most important issues and work through them in a logical manner to find a solution.

3) Numeracy skills

Brainteasers will usually involve a bit of mathematics. The ability to do basic adding, subtracting, multiplying and dividing on the spot and under pressure is important in consulting.

4) Communication skills

Consulting is a client-focused business in which you'll often have to persuade clients to put your strategies into practice. You'll also be expected to work in teams to deliver the most effective solutions. So being able to think out loud and to verbally justify your reasoning in a clear and succinct way is crucial.

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SWOT Analysis

- Strength, Weakness, Opportunity, Threat

Simple, yet powerful framework for strategic analysis. It can be used for company, industry or product. Internal-External Analysis/IE Matrix. Better the analysis with concrete quantitative data in fields

- Usage

Exploratory tool for understanding (Basic kick-off). Analysis of comparable firms. Decision making for entering new market/ product line, and for M&As.

Internal Assessment		External Assessment	
Strength	Weakness	Opportunity	Threats

Strengths provides an area to list everything done right either individually or as an organization. This section contains both strengths within the organization and external strengths, such as client relationships.

S
STRENGTHS

Weaknesses are aspects of your business that detract from the value you offer or place you at a competitive disadvantage. You need to enhance these areas in order to compete with your best competitor.

W
WEAKNESSES

Opportunities are factors that represent reasons your business is likely to prosper. Such as being able to expand a franchise into a new city, while some may fall into your lap such as another country opening up its market to foreign business.

O
OPPORTUNITIES

Threats include external factors beyond your control that could place your strategy, or the business itself, at risk. You have no control over these, but you may benefit by having contingency plans to address them if they should occur.

T
THREATS

PESTLE Analysis

PESTLE Analysis forms a much more comprehensive version of the SWOT analysis.

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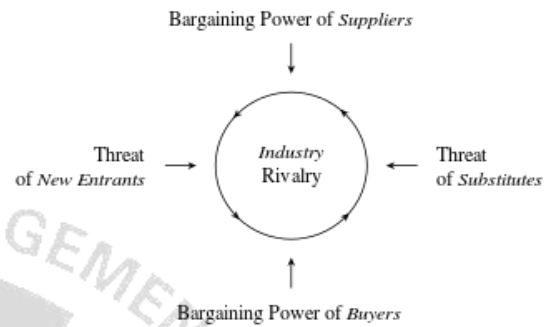
- a) **Political** – These factors determine the extent to which a government may influence the economy or a certain industry. Example, a government may impose a new tax or duty due to which entire revenue generating structures of organizations might change. Political factors include tax policies, Fiscal policy, trade tariffs etc. that a government may levy around the fiscal year and it may affect the business environment (economic environment) to a great extent.
- b) **Economic** – These factors are determinants of an economy's performance that directly impacts a company and have resonating long term effects. Example, a rise in the inflation rate of any economy would affect the way companies' price their products and services. Adding to that, it would affect the purchasing power of a consumer and change demand/supply models for that economy. Economic factors include inflation rate, interest rates, foreign exchange rates, economic growth patterns etc. It also accounts for the FDI (foreign direct investment) depending on certain specific industries who're undergoing this analysis.
- c) **Social** – These factors scrutinize the social environment of the market, and gauge determinants like cultural trends, demographics, population analytics etc. An example for this can be buying trends for Western countries like the US where there is high demand during the Holiday season.
- d) **Technological** – These factors pertain to innovations in technology that may affect the operations of the industry and the market favourably or unfavourably. This refers to automation, research and development and the amount of technological awareness that a market possesses.
- e) **Legal** – These factors have both external and internal sides. There are certain laws that affect the business environment in a certain country while there are certain policies that companies maintain for themselves. Legal analysis takes into account both of these angles and then charts out the strategies in light of these legislations. For example, consumer laws, safety standards, labour laws etc.
- f) **Environmental** – These factors include all those that influence or are determined by the surrounding environment. This aspect of the PESTLE is crucial for certain industries particularly for example tourism, farming, agriculture etc. Factors of a business

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environmental analysis include but are not limited to climate, weather, geographical location, global changes in climate, environmental offsets etc.

Porter's Five Forces

Helps us to analyse the competitive intensity of an industry and determine attractiveness of an industry. These forces determine an industry structure and the level of competition in that industry. The stronger competitive forces in the industry are the less profitable it is. An industry with low barriers to enter, having few buyers and suppliers but many substitute products and competitors will be seen as very competitive and thus, not so attractive due to its low profitability.



Power of Suppliers	Threat of Entrants	Industry Rivalry	Threat of Substitutes	Power of Buyers
Importance of supplier's products to the industry	Regulatory norms	Number of competitors	Buyer propensity to substitutes	Product is undifferentiated
Industry's importance to suppliers	Economies of scale	Strategic objectives	Relative price performance of substitutes	Buyer has full information
Threat of forward integration	Brand image	Fixed cost	Buyer switching cost	Buyers are scattered
Switching costs	Capital requirement	Degree of differentiation		Price sensitivity and switching costs
Input product differentiation	Switching Costs	Exit barrier		Players operate at low margin

Other Generic Terms

Competitive advantage, Strategy, Goals, Long-term and Short-term goals, Core competency, Guesstimates.

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Operations

What is Operations Management?

Operations management refers to the administration of business practices to create the highest level of efficiency possible within an organization. It is concerned with converting materials and labour into goods and services as efficiently as possible to maximize the profit of an organization. Operations management teams attempt to balance costs with revenue to achieve the highest net operating profit possible with the available resource planning.

Competitiveness comes from doing things differently. The integration of global economy has forced the organizations today to deliver supplies from one place to another at the right time with lowest possible cost, maintaining the desired quality standards simultaneously. The whole process involves the application of mathematics, powerful software, technological innovations and different applications of new ideas in order to achieve the end results.

Operations and supply chain management will help you to understand the importance of integrity of different types of processes involved, their efficiencies, time taken by them, and constant monitoring of their quality. **“Operations”** refers to the processes used for transformation of resources employed by a firm into products and services desired by customers. **“Supply”** on the contrary, deals with the movement of materials and services to and from the transformation processes of the firm.

Goods vs. Services

A service is an intangible process that cannot be weighed or measured, whereas a good is a tangible output of a process that has physical dimensions. This distinction has important business implications since a service innovation, unlike a product innovation, cannot be patented.

Services require some degree of interaction with the customer for it to be a service. The interaction may be brief, but it must exist for the service to be complete. Where face-to-face service is required, the service facility must be designed to handle the customer's presence.

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Goods, on the other hand, are generally produced in a facility separate from the customer. They can be made according to a production schedule that is efficient for the company.

Services, with the big exception of hard technologies such as ATMs and information technologies such as answering machines and automated Internet exchanges, are inherently heterogeneous—they vary from day to day and even hour by hour as a function of the attitudes of the customer and the servers.

Services as a process are perishable and time dependent, and unlike goods, they can't be stored. You cannot “come back last week” for an air flight or a day on campus.

Bottleneck

In production and project management, a bottleneck is one process in a chain of processes, such that its limited capacity reduces the capacity of the whole chain. The result of having a bottleneck are stalls in production, supply overstock, pressure from customers and low employee morale. There are both short and long-term bottlenecks. Short-term bottlenecks are temporary and are not normally a significant problem. An example of a short-term bottleneck would be a skilled employee taking a few days off. Long-term bottlenecks occur all the time and can cumulatively significantly slow down production. An example of a long-term bottleneck is when a machine is not efficient enough and as a result has a long queue.

Inventory Management (IM)

It is a discipline primarily about specifying the shape and placement of stocked goods. It is required at different locations within a facility or within many locations of a supply network to precede the regular and planned course of production and stock of materials. Inventory management also includes making essential connections between the replenishment lead time of goods, asset management, carrying costs of inventory, future inventory price forecasting, physical inventory, available space for inventory, demand forecasting and much more. By balancing these competing requirements, a company will discover their optimal inventory levels. This is an ongoing process, as the firm will need to shift and adjust as it changes and expands.

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Supply Chain Management (SCM)

Supply chain management (SCM), the management of the flow of goods and services, involves the movement and storage of raw materials, of work-in-process inventory, and of finished goods from point of origin to point of consumption. Interconnected or interlinked networks, channels and node businesses combine in the provision of products and services required by end customers in a supply chain. Supply-chain management has been defined as the "design, planning, execution, control, and monitoring of supply chain activities with the objective of creating net value.

Just-In-Time (JIT)

Just-in-time (JIT) manufacturing, also known as just-in-time production or the Toyota Production System (TPS), is a methodology aimed primarily at reducing flow times within production system as well as response times from suppliers and to customers.

Total Quality Management (TQM)

A core definition of total quality management (TQM) describes a management approach to long-term success through customer satisfaction. In a TQM effort, all members of an organization participate in improving processes, products, services, and the culture in which they work.

KAIZEN

Kaizen, is Japanese for "improvement". When used in the business sense and applied to the workplace, Kaizen refers to activities that continuously improve all functions and involve all employees from the CEO to the assembly line workers. It also applies to processes, such as purchasing and logistics that cross organizational boundaries into the supply chain. It has been applied in healthcare, psychotherapy, life-coaching, government, banking, fantasy hockey, and other industries.

Theory of Constraints (TOC)

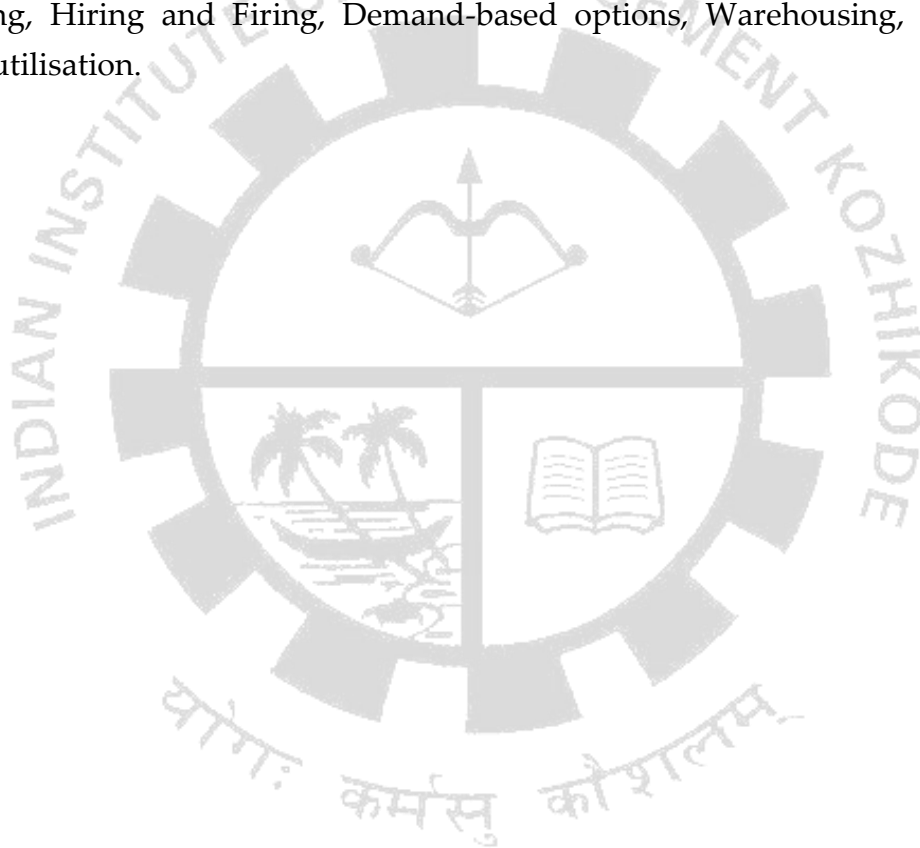
The theory of constraints (TOC) is a management paradigm that views any manageable system as being limited in achieving more of its goals by a very small number of constraints. There is always at least one constraint, and TOC uses a focusing process to

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identify the constraint and restructure the rest of the organization around it. TOC adopts the common idiom "a chain is no stronger than its weakest link." This means that processes, organizations, etc., are vulnerable because the weakest person or part can always damage or break them or at least adversely affect the outcome.

Other Generic Terms

Six-sigma, Capacity planning, Efficiency, Forecasting, Location analysis, Product design, Productivity, Quality management, Scheduling, Process, Value added, System, subcontracting, Hiring and Firing, Demand-based options, Warehousing, Economies of scale, Underutilisation.



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Information Technology & Systems

Why Technology in Management?

Technology becomes useful only when it helps management achieve their goals more effectively. The problem involved is that while technology is handled by technologists, business management is handled by persons with a different focus. Technologists and business managers often fail to understand the requirements and constraints of each other, and the result is a failure in aligning information technology with business.

IT Governance: IT should not be left to technologists. Instead, persons right from the Board of Directors level should get involved. Directors and top executive management have to ensure that investments in IT will produce adequate returns in such forms as improved financial and market performance.

IT/Business Alignment: IT and Business Managers should be encouraged to understand each other's perspectives and requirements. Only then will it be possible to use the full potential of information technology for achieving business objectives.

Managing IT Portfolio: Both new IT projects and continued maintenance of existing IT applications need to be evaluated for the business value they provide. Considering that time, skilled manpower and money are limited, the evaluation should help prioritize the portfolio of projects and support efforts that will receive funding.

Change Management: Existing business processes will usually have to be redesigned to realize the potential of improved performance using IT. This will require considerable skill and focused effort in implementing the changes.

Risk Management: This involves answering three key questions. Will the systems work as expected (immunity from technological risk)? Will the people use the system as it should be used (immunity from organizational risk)? Will the system provide real business value (immunity from business risk)?

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What is a System?

A system is a set of interrelated components with a clearly defined boundary, working together to achieve a common set of objectives by accepting inputs and producing outputs in an organized transformation process.

Systems have three basic functions:

Input involves capturing and assembling elements that enter the system to be processed.

Processing involves transformation processes that convert input into output.

Output involves transferring elements that have been produced by a transformation process to their ultimate destination

The system concept becomes even more useful by adding two additional elements, feedback and control. A system with feedback and control functions is sometimes called a cybernetic system that is a self-monitoring, self-regulatory system. Feedback is data about the performance of a system.

What is an Information System?

A purposefully designed system that accepts data resources as input, process them to information products as output. The successful management of Information Systems and technologies presents major challenges to business managers and professionals. Thus, the information system functions represent:

- A major functional area of business equally as important to business success as the functions of accounting, finance, operations management, marketing and human resource management.
- An important contributor to operational efficiency, employee productivity and morale, and customer service and satisfaction.
- A recognized source of value to the firm.
- A major source of information and support needed to promote effective decision making by managers and business professionals.
- A vital ingredient in developing competitive products and services that give an organization a strategic advantage in the global marketplace.

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- A dynamic, rewarding and challenging career opportunity for millions of men and women.
- A key component of the resources, infrastructure and capabilities of today's networked business enterprises.
- A strategic resource.

Other Generic Terms

System, Service, Service lifecycle, Data mining, Data warehousing, Efficiency, ERP, CRM, Maintenance, SDLC, Phased conversion, Parallel conversion, Direct conversion, DoS, IoT, Deep learning, Machine learning, Generic algorithm, Outsourcing, Cloud storage, Virtualisation, Service desk, IPV4, IPV6, Networking.

