

CHAPTER 3

DEPARTMENTATION

DEPARTMENTATION

3.1 DEPARTMENTATION

William H. Newman referred departmentation as the process of grouping activities into units for purpose of administration. Louis and Allen defined departmentation as a distinct area, division or branch of an enterprise over which a manager has authority for the performance of specified activities of functions of enterprise are grouped homogeneously into different groups.

Departmentation is the foundation of an organization structure. Departmentation means division of works into smaller units and their regrouping into bigger units on the basis of similarity of features. Each department is headed by a person known as departmental manager. Departmentation provides scope for organization growth and expansion.

3.2 ADVANTAGES OF DEPARTMENTATION

- It contributes to systematic distribution of work among individuals.
- It contributes to the attainment of specialization.
- It simplifies managerial tasks.
- By defining the duties and responsibilities of the executives clearly, departmentation fixes accountability for results. This makes the executives alert and efficient.
- Departmentation increases the operating efficiency of the organization.
- Departmentation helps the management to evaluate the performance of various management which are not managed properly.
- Departmentation facilitates supervision, as the authority for making decisions is diffused to the managers of departments.

- By Bringing about division of functions and responsibilities, departmentation provides scope for growth and expansion.
- Departmentation contributes to performance appraisal, it helps not only in firing responsibility but also in evaluation of work carried out by the individuals.
- By giving sufficient powers to the managers in charge of different departments and allowing them to take their own decisions within the powers given to them, departmentation in waves the prestige of managers.

3.3 DISADVANTAGES OF DEPARTMENTATION

- **Conflict**

In departmentation, there is very high chance of conflict among departments and other functional area.

- **Slow decision making**

Because of number of specialists and experts and many departments, decision making process is slow in departmentation.

- **High supervision cost**

There are many supervisions in the organisations. so, supervisions cost is very high.

- **Lack of innovation and creativity**

Departmentation emphasis on high level speed production by the help of specialist and skilled employees. It emphasis on mass production and expansion but it ignores innovation and creativity.

- **Difficult to monitor**

It is very difficult to monitor performance of each and every employee in an organisation when there are many departments.

3.4 VARIOUS DEPARTMENTS OF ASHOK LEYLAND LIMITED

1. Human resources department
2. Finance Department
3. Purchasing Department
4. Production department
5. Marketing department
6. Secretarial department
7. Research and Development department

3.4.1 PRODUCTION DEPARTMENT

The production department is responsible for providing material components and equipments required to keep the production system. The Production department of Ashok Leyland Limited is expected to take responsibility for managing quality issues in order to make sure that waste is minimised and quality is maximised.

FUNCTIONS OF PRODUCTION DEPARTMENT

- To make sure that the raw materials are available for smooth production process.
- To optimise the production cost of the company.
- To prepare the production report on day to day basis.
- To provide training to the new comers on the production process.
- To make sure that it produces products at very low cost in order to maximise profits.
- To bring innovation and changes to the products produced by the company in order to fit the taste and preference of customers.

- To ensure production process is as per production schedule.
- To take control of the production process when there is deviation from the schedule.

3.4.2 PURCHASE DEPARTMENT

Purchase is the process of procuring the required goods and materials in the correct amount at the time needed from a reliable source for the best price and value possible. Purchase department deals with the clerical work in connection with the purchase of material, stores, plant and machinery, fuel and stationery etc. Purchase departments are often an important part of large corporations and small businesses. they establish policies and procedures that try to ensure the financial understanding health of the Company. Understanding the functions and role of purchase departments may establish supply strategies and procurement goals to benefit the company. The purchase department is charged with the responsibility of conducting the purchasing function in a manner which results in the most efficient, economical and effective use of company's funds. The purchase department has the authority and responsibility for procuring the requirements of materials and equipments.

FUNCTIONS OF PURCHASE DEPARTMENT

- To prepare the orders from the company for suppliers.
- To check and record the supplier's invoices and delivery notes.
- To maintain the purchase journal and ledger of the company.
- To check and certify the payment of suppliers bill to the finance department.
- To monitor and control the use of material for production process.
- To serve as an information on the material's knowledge (i.e) their prices, source of supply, specification and other allied matters.

- To make available all the materials required by any department of the company at any given point of time.
- To identify alternate suppliers to supply in case of an emergency.
- To check the quality of material Received is in confirmation with the material ordered for.

3.4.3 FINANCE DEPARTMENT

Finance department is the part of an organisation which manages money. The business functions of finance department typically includes planning, organizing, auditing and accounting for and controlling its company's finance. The finance department also usually produces the company's financial statements and also ensures whether adequate funds are available for resources to achieve its organisational objectives. Finance Department ensures cost are Controlled and establish control profitability. The department Controls the income and expenditure in addition to ensuring effective business running with minimum expenses.

FUNCTIONS OF FINANCE DEPARTMENT

- To record the purchase and sales made by the business.
- To prepare profit and loss account and balance sheet.
- To support the management by providing the requisite financial data that is useful in managing funds.
- To evaluate economic trends, and identify future investment and cultivate long-term business plan.
- To conduct research and collect data that assist the organization's temporary and permanent financial forecast. The information is essential in planning and providing informed decisions critical to expansion, such as staff training and asset procurement.

- To make sure of past records from respective departments to make better budget and forecast over Long-term and short-term horizons.
- To maintain all the cashflows of the company.
- To ensure the payments are made promptly to the vendors of the company.
- To pay the salaries on time to the employees of the company on receiving the recommendations from human resource department.

3.4.4 MARKETING DEPARTMENT

This department aims to sell as many products as possible in a sustainable manner. They design the right product at the right price to the right the right customer at the right time. They are responsible for developing promotion and managing long-term relationship with customers. This department also conducts market surveys and trend analysis, which helps the management to make correct and important decision. It is also helps in making modification of existing products and introduction of new products. As a part of market research, the sales executives study the requirement of their customers both new and existing customers. They collect information from them directly and devise Strategies to Sell the products accordingly.

FUNCTIONS OF MARKETING DEPARTMENT

- To design the products that meet the needs of the customers.
- To communicate information about the goods and services to the prospective buyers.
- To advertise the products of the company through various media of advertisements.
- To retain the regular customer.
- To identify new needs arising in the market and make arrangements to cater to it.

- To conduct customers and market research to help to understand how the products and services as per the changing trends.
- To establish and nurture long term relationships with customers through personalised communication, support and loyalty programs.

3.4.5 HUMAN RESOURCE DEPARTMENT

A human resource department is the division of a Company that is responsible for effectively managing a company's human resources which are ultimately its employees. It is significant part of management concerned with employees at work and their relationships with in the organisations. The HR department mission is to make sure the company's employees are adequately managed appropriately compensated and effectively trained. The department is also responsible for recruiting, hiring and administering benefits. The HR departments also handle employee compensation, benefits and terminations.

FUNCTIONS OF HUMAN RESOURCE DEPARTMENT

- To improve performance and ability of the employees.
- To train an employee about an area in which the employee has had no prior experience, such as when transitioning from one role into a different role (ie cross training).
- To help an organisation conform to government regulations as guidelines by complying with various loss and regulations for which they are responsible.
- To sharpen the capabilities required for the employees to perform various functions associated with their present or few expected future roles.
- To collaborate among different units of the organisation in developing the work force.
- To foster team spirit among employees of the organisations.

- To develop competencies at the various organisations levels. It stresses on providing healthy climate for development in the organisation.
- To develop an organisational culture in which there is good senior-subordinate relations, motivation, quality and sense of belonging.
- To facilitate the employees to perform their work smoothly without any difficulty.
- To maintain the personal records containing all details of every employee employed with the organisations.
- To take responsibilities towards the motivation of employees by outlining motivational work practices.
- To organise the appraisal process to identify the development needs of employees.
- To maintain the records regarding productive efficiency, absenteeism, accidents, labour turnover etc.
- To develop policies, plans, tasks and other things that benefit employees.

3.4.6 RESEARCH AND DEVELOPMENT DEPARTMENT

A company's research and development department plays an integral role in the life cycle of a product while the department usually is separate from sales, production and other divisions the functions of these areas is related and often requires collaboration. The term research and development is used to describe a series of activities that companies undertake to innovate and introduce new products and services. Research and development is the first step in the development process.

FUNCTIONS OF RESEARCH AND DEVELOPMENT DEPARTMENT

- To conduct a thorough study before a new product is developed in order to support the project.
- To carry out research in order to invent and introduce new products and services for customers.
- To help their company decide which products and services would likely find success if offered to their clients and customers.
- To perform product research after a product or service proposal. This may include conducting a series of test, service and other research.
- To ensure that the developed product meets the production guidelines and any regulatory specification.
- To create new products to keep companies a step ahead of the competition.
- To conduct daily and strategic work in an Organisation research and development department.
- To report the whole process it has developed, supervising is projects and analysing is reals, revising the plans according to the existing budget and strategies.

3.4.7 SECRETARIAL DEPARTMENT

The secretarial department is a crucial part of an organisation. They handle administrative tasks like managing appointment organising meetings, handling correspondence and managing records. They often act as bridge between different departments and help ensure smooth communication within the organisation. The secretarial department plays a vital role in keeping things organised and running smoothly in an organisation. To handle tasks the scheduling meetings, managing calendars and administrative duties.

MEANING OF COMPANY SECRETARY

A company secretary means a person who is a member of the Institute of company secretaries of India section 2(1) of the company secretaries act 1980. According to section 2(24) of the companies act 1980, it includes any other individuals possessing the prescribed qualifications and appointed to perform the duties which may be performed by the secretary under this act and any other ministerial and administrative duties.

A company secretary is responsible for the efficient administration of the company, particularly with regard to ensuring compliance with statutory and regulatory requirements and for ensuring that decisions of the board of Directors are implemented.

FUNCTIONS OF SECERTARIAL DEPARTMENT

- To arrange with the consultation of the chairman the annual and extraordinary general meetings of the company of the attend such meetings in order to ensure compliance with legal requirements at to make Correct records.
- To ensure compliance of the company law and rules made there under statuses and by the Laws of the company.
- To ensure that the world, the company is conducted in accordance with its objects contained in its memorandum of association.
- To ensure that affairs of the company are managed in accordance with its objectives contained in the articles of corporation and the provisions of the company law
- To attend the board meeting in order to ensure that the legal requirements are fulfilled and provide such information as are necessary.
- To engage legal advisors and defend the rights of the company in the court of laws.

- To advise in conjunction with the company solicitor the chief executive or other in respect of the legal matter as required.
- To prepare, approve, sign and seal agreement leases form and other financial documents on the company's behalf when authorised by board of directors or executive responsible.

3.5 MEETING

Meeting is a gathering, assembling as coming together of two or more persons for discussion and transaction of some lawful business. A company meeting is a occurrence or coming together of at least 15 a expected quorum of members in order to transact either ordinary or special business of the company.

According to P.K Ghosh, "any gathering, assembly of coming together of two or more persons for the transaction of some lawful business of common concern is called meeting".

3.6 KINDS OF MEETINGS

- Annual general meeting
- Extraordinary general meeting
- Board meeting

3.6.1 ANNUAL GENERAL MEETING

Every company shall in each year hold, in addition to any other meetings, a general meeting as its annual general meeting and shall specify the meeting as such in the notice calling it. There shall not be more than 15 months Interval between one annual general meeting and the other. But the first annual general

meeting should be held within 18 months from the date of its incorporation. The registrar may, for any special reason, extend the time for holding an annual general meeting by a period not exceeding 3 months. Every general meeting shall be called during business hours on a day that is not a public holiday.

At an annual general meeting shareholders engage in crucial decision-making processes that shape the trajectory of the company. They typically approve financial statements, elect or re-elect directors, appoint auditors, declare dividends, review and approve executive compensation, consider amendments to articles of association, ratify corporate actions and vote on shareholders resolutions. Additionally, shareholders may raise any other business for discussion, adhering to the company's by laws and notification procedures. Through these transactions, the AGM serves as a platform for shareholders to exercise their rights, voice their concerns and participate in the governance of the company.

3.6.2 EXTRAORDINARY GENERAL MEETING

An extraordinary general meeting (EGM) is convened outside of the regular annual general meeting (AIM) schedule and is typically held to address urgent or exceptional matters requiring shareholders approval. At an EGM, shareholders focus on critical decisions such as approving significant transactions like mergers, acquisitions or major investments which fall outside the company's ordinary business operations. Other matters discussed include board reconstitution, financial restructuring litigation or any other urgent business requiring immediate attention. EGM serves as vital platforms for shareholders to exercise their rights and influence decisions affecting business crucial the company's trajectory and governance, ensuring transparency and accountability in corporate affairs.

3.6.3 BOARD MEETING

It is a formal meeting of the directors of the Company called to debate on certain issues. and problems and to take decisions to run the company smoothly in order to Achieve the desired goals and objectives set. The meetings are held at definite times, at definite places. It solve some special issues, taking important decisions or to Make new policies.

As per section 173 (1) of companies Act 2013, "Every company shall hold the first meeting of the board of Directors within thirty days form the date of incorporation of the company and there after hold board meetings manner that is not more in such a than 120 days shall intervence between two consecutive meetings and should be a minimum number of four meetings every year.

3.7 SECRETARIAL DUTIES OF ALL THE MEETINGS

3.7.1 BEFORE THE MEETING

1. To see that the accounts are prepared according to the provisions of the Act and duly audited and certified by the audition of the company.
2. To prepare the agenda in consultation with the chairman and issue notices of the Board meeting held just before the annual general meeting.
3. To prepare the reports in consultation with the chairman.
4. To send the notice of the meeting to all the members along with the necessary forms.
5. To prepare the chairman's speech in Consultation with chairman.
6. To receive, scrutinize, countersign and register all proxies received before the fixed time.
7. To close the share transfer register and prepare the dividend lists and warrants.
8. To make arrangements for taking a poll at the meeting, if necessary.
9. To make seating arrangements for the members.

3.7.2 AT THE MEETING

1. To ensure that no unauthorised person enters the general meeting.
2. To see that the admission cards duly signed are collected at the entrance.
3. To help the chairman to ascertain whether a quorum is present or not.
4. To read the minutes of the last meeting.
5. To read the notice convening the meeting.
6. To help the chairman to conduct the meeting.
7. To help the chairman by supplying necessary information.
8. To take notes of the proceedings.
9. To assist the chairman in the conduct of the meeting and in taking a poll and counting the votes etc.

3.7.3 AFTER THE MEETING

1. To prepare the minutes signed by the chairman.
2. To execute the decisions and resolution passed at the meeting.
3. To file necessary documents with the registrar.
4. To incorporate the alterations if any made in the memorandum or the articles of associations passed in the meeting.
5. To send copies of the minutes to the stock exchange on which the shares of the company are listed.

3.8 SHARE

A company's capital is divided into small equal units of finite number. Each unit is known as a share. In simple terms, a share is a percentage of ownership in a company or a financial asset. Investors who hold share of any company are known as shareholders.

3.8.1 SHARE CERTIFICATES

A share certificate, also known as a stock certificate, is a document proof of shareholding in a company. It can be a physical document or an electronic one issued to a shareholder and signed on behalf of the corporation. This certificate is legal proof of ownership of a certain number of company shares. It certifies number of shares from the grant date and also acts as a receipt of share purchase. However, a share certificate merely contains details of the shareholders and the number of shares they own, it is not the stock itself. share certificates are issued based on asset classes. usually, one certificate is issued to each shareholder containing details of the total number of shares of a Particular asset class.

3.8.2 DEMATERIALISATION

Dematerialisation is the process by which physical certificates of an investor are converted to an equivalent number of security in electronic form and credited into investors account within his/her depository participant. converting physical shares into electronic format. All investors who wants to dematerialise his shares needs to open on demat account with depository participant.

3.8.3 PROCEDURE FOR OPENING A DEMAT ACCOUNT

- i. To Choose depository Participant
- ii. To submit demat account opening form.
- iii. To fill know your customer form.
- iv. To go through the verification process.
- v. To sign the agreement copies.
- vi. To get your beneficiary owner identification number.

3.8.4 PROCESS OF DEMATERIALISATION

- i. Surrender certificate for dematerialisation to the depository participant.
- ii. Depository participant intimates depository of the request through the system.
- iii. Depository participant submits the certificate to the registrar of the issuer company.
- iv. Registrar confirms the dematerialisation request through depository.
- v. After dematerialisation of certificate registrar update accounts and inform the depository Participant.
- vi. Depository participant updates the demat account.

3.9 TRANSFER OF SHARES

The procedure for buying and selling dematerialised securities is similar to the procedure for buying and selling physical securities. The difference lies in the process of delivering in case of sale and in case of purchase of securities.

3.9.1 IN CASE OF PURCHASE

- The Broker will receive the securities in his account on the payment date.
- The Broker will give instructions to its depository participants to debit his account and credit the investor's account.
- Investor will give "Receipt Instruction" to depository participant for receiving credit by filling the appropriate form.

However, one can give standing instructions for credit into one's account that will obviate the need of giving receipt instructions every time.

3.9.2 IN CASE OF SALE

- The investor will give delivery instructions for depository participant to debit his account and credit the Brokers account.
- Such instructions should reach the Depository participants office at least 24 hours before the pay otherwise the depository participant will accept the instructions only at the investor's risk.

3.10 TRANSMISSION OF DEMATERIALISED SECURITIES

Transmission is the process by which securities of a deceased account holder are transferred in the account of his legal heir / nominee process of transmission in case of dematerialised holdings is more convenient as the transmission formalities for all securities held in a demat account can be completed by submitting necessary documents to the Depository participant.

3.10.1 PROCEDURE FOR TRANSMISSION OF DEMATERIALISED SECURITIES

The claimant should submit to concerned depository participant an application with transmission Request from (TRE) along with the following supporting documents:

- original or death certificate downloaded from the online portal of government carrying digital / facsimile signature of the issuing authority of a copy of the death certificate duly notarized or attested by a gazetted officer, in care of death of sole holder where the sole holder has appointed a nominee.
- In care of death of the sole holder where he/she has not appointed a nominee.

Original or death certificate downloaded from online portal of government carrying digital / facsimile signature of the issuing authority or copy of the death certificate duly notarized or attested by a gazetted officer, in case of death of the sole holder where the sole holder has appointed a nominee.

Succession certificate / Probate of the will/letter of administration.

3.11 DIVIDEND

The term "Dividend" literally means that which may or has to be divided". When a company distributes the profits earned by it to the shareholders, it means that it has paid dividend. Thus, dividend is payment made by a company to its shareholders out of distributable profits. Dividend is calculated as a percentage of the nominal value of their shares, which is fixed for holder of preference shares and fluctuating for holders of equity or ordinary shares. Distributable profit are the profits of a Company that are available for distribution as dividend to the shareholders in accordance with the provisions of the Act. The term dividend includes any interim dividend. According to the generally accepted definition, "dividend" means the profit of a Company, which is not retained in the Business and is distributed among the shareholders in proportion to the amount paid up on the shares held by them.

3.11.1 SECRETARIAL DUTIES OF DIVIDEND RELATING TO THE TIME OF PAYMENT

- To close the share transfer Book, dispose all pending transfers and to make the registrar of members up-to-date on the Basis of the authority derived from the Board of Directors of the company.

- The secretary will draft the forms of "Dividend notice and warrant" and make arrangement for their printing.
- After closing the register of transfer, the secretary will prepare a list of registered members showing the name and addresses of the members, the number of shares held and the gross dividend payable.
- The secretary will complete the "Dividend Notice and warrants and get them signed by two directors, a put his own signature if he is empowered to do so.
- The secretary will arrange to open a special dividend account with Company's banker and necessary funds required to pay as dividend will be transferred to that account.
- The secretary will also make arrangements with the banker for payment of dividend.
- In case of company has issued share warrants, the secretary will send a notice of declaration of dividend to the press for information of share warrant holders.
- The secretary will also make arrangements for dispatching dividends warrants by post to the registered members within thirty days of the declaration of Dividend.
- The secretary must ensure that the approval of reserve Bank has been obtained under the Foreign Exchange regulation Act, 1973 before the dividend is remitted to the non-resident shar holders.
- If dividend is not paid within thirty days of its declaration or the dividend warrant is not sent within that period, the secretary must that the total amount of such unpaid or unclaimed dividend is transferred to a special account in a scheduled bank to be called "unpaid dividend Account" within seven days of the expiry of thirty days from declaration of dividend.
- The money transferred to the unpaid dividend account, which remains unpaid or unclaimed for a period of seven Years from the date of such transfer shall

be transferred by the company to the “Investor Education Protection Fund” established under section 125.

3.12 REGISTERS MAINTAINED AT SECRETARIAL DEPARTMENT

1. Register of members (section 88)
2. Register of debenture holder (section 88)
3. Foreign register of members , debenture holders , other security holders or beneficial owners residing outside India (section 88)
4. Register of significant beneficial owners (section 90)
5. Register of renewed and duplicate share certificate (section 46)
6. Register of sweat equity shares (section 54)
7. Register of employee stock options (section 62)
8. Register of shares or securities which have been bought back (section 74)
9. Register of deposits (section 74)
10. Register of charges (section 85)
11. Register of directors and KMPs (section 85)
12. Register of loans / guarantee / security and acquisition by company (section 186)
13. Register of investments not held in its own name (section 187)
14. Register of contracts or arrangements in which directors are interested (section 189)

3.13 CAPITAL STRUCTURE

Capital structure refers to the specific mix of debt and equity used to finance a company's assets and operations. Capital structure is also the result of such factors as company size and maturity, which may have available therefore, capital structure is the way that a business finance its operations-The money used to buy inventory pay rent, and their things that keep the business doors open.

"Capital structure is essentially concerned with how the firm decides to divide its cash flows into two broad components, a fixed component that is landmarked to meet the obligations toward debt capital and residual Component that belongs to equity shareholders". - **P. Chandra**

3.13.1 TYPES OF SHARE CAPITAL

- **Authorised / Nominal / Registered Capital**

It is the amount of Capital specified in the Capital clause of the memorandum. It is the maximum amount which the company can issue during its life and shown on the liabilities side of the Balance sheet. The amount has to be divided into shares of various classes.

- **Issued Capital**

Issued Capital refers to the total value of the shares that a company has offered and sold to shareholders. It represents the amount of Capital that the company has raised through the issuance of shares. It is the nominal value of the shares which

are offered to the public for subscription. If all shares are issued, issued capital and authorised Capital will be same.

- **Subscribed Capital**

A part of the issued Capital which is subscribed by the public is known as subscribed capital.

- **Called-up Capital**

It is that part of subscribed Capital which are called upon by the company to pay by the shareholders.

- **Paid up capital**

The amount actually paid by the shareholders is known as paid-up capital.

3.14 CAPITAL STRUCTURE OF ASHOK LEYLAND

PERIOD	2022- 2023
INSTRUMENT	AMOUNT
1. Authorized share capital 27,85,60,00,000 shares @ ₹1 each	2785.6
2. Issued, subscribed & paid up capital 2,93,61,00,000 shares @ ₹1 each	293.61