

# DRIVE

## MonthlyeNewsletter

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CHARUTAR VIDYA MANDAL'S

S.G.M. English Medium college of  
Commerce & Management

## SEMCOM



**VISION:***To contribute to the societal enrichment through quality education, innovation and value augmentation.*

**MISSION:***To build up a competitive edge amongst the students by fostering a stimulating learning environment.*

**DREAM:***To establish a unique identity in the emerging global village.*

**GOALS:**

- *To focus on integral development of students.*
- *To offer courses and programs in tune with changing trends in the society as a whole.*
- *To update the curriculum as per the need of the business and industry.*
- *To create unique identity in the educational world at the national as well as international level.*
- *To institutionalize quality in imparting education.*
- *To incorporate innovations on a continuous basis in the entire process of education at institutional level.*
- *To create platform for the students for exhibiting their talent and for development of their potentials.*
- *To generate stimulating learning environment for students as well as teachers.*
- *To build cutting edge amongst the students to withstand and grow in the competitive environment at the global level.*

**The overall mission is reinforced by the Punch Line**

**“WHAT WE THINK, OTHERS DON’T”.**

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## Editorial Team:

Chief Editor : Dr Nikhil Zaveri  
 Managing Editor : Ms Nishrin Pathan  
 Executive Editor : Ms Hebzibah Mary  
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**Guest Editor's Note:**

**Life Journey of a Business:**



**Mr. Amit Jain, CEO and Member – Board of Management, Mercedes-Benz, Mumbai**

Life is an adventurous journey and the biggest journey and life is perfected over a period of time. Life is predefined but is given in the present in a format or a context. In many ways a business can be compared to life journey. The startup of a business is like a small child whose unlimited curiosity leads to questioning. Curiosity and questioning result in the discovery of something new and give open mindedness and unlimited energy. The inquisitiveness of a small child is not restrained or inhibited by the framework of society. A startup business has also endless amount of prospect and the business learns something new every new day. It is not restricted by the framework of society. For a startup business the options and resources are unlimited. The inquisitive mindset of child develops into the framework of a delusional dream at teenage. A teenager falls in love for the first time and the world centres around one thing or person – the person/object of love. He goes to any length in order to meet and talk

with his love. Similarly a startup business at this point of time focuses on one specific idea and does anything to make it possible. It thinks about one idea all day long and to make the idea real, it researches, explores and meets people to discuss the idea and give life to it. Though there is no emotional involvement but is passionate about the idea. From this stage the person moves on to the next stage or phase which is marriage where he is committed to the idea. The commitment is the future and brings in a lot of responsibilities. At this stage the company is firmly established and starts selling the idea to customers. The person becomes a parent and has a child. In due course of time the company becomes the child that needs constant nurturing and tender love. The schooling of the idea/company begins and the parent thinks about the future of the company. Like the child becoming the teenager, the scaling up of the company starts which results in diversification and expansion. Like a father who faces resistances and questioning from his grown up son, the businessman faces challenges in his company and his decisions are questioned. When he becomes forty or fifty, the businessman turns into the humble master of the company/world. At this stage he begins delegating duties and responsibilities which is likened to the child wanting to spread out his wings. This is also the stage when entrepreneurial spiritualism sets in. Through his efforts and hard work the businessman has made money and fame by which he is recognized. Now he wants to give back something to the society. Great personalities like Bill Gates, Warren Buffet have contributed a lot of their wealth towards the betterment of society and mankind. They believe in helping others to help themselves. With this the successful entrepreneurial journey is completed and the businessman comes to a crossroad where he has to take decisions to choose the path. Malcolm

Gladwell, a Canadian journalist, bestselling author and speaker, has said that it takes 10,000 hours to master any field through deliberate practice. A businessman is known by his perseverance in ups and downs. He has mastered by spending his time doing things differently from others and this determines success. The most important ingredient that goes into the making of a brand is research and development and they are core fundamentals of any business. Mahatma Gandhi became a brand out of India and India is known as the land of Gandhi. In the last 60 years there have been no generic brands from India. Thought, patience and investment are essential to have a global brand from India. Micromax is an Indian consumer Electronics Company headquartered in Gurgaon, Haryana, India. It is in the business of manufacturing of Mobile Telephones, Tablet Computers, 3G Data cards and LED Televisions. It has 23 offices in India and an international office in Hong Kong. Though an Indian company it is well reputed to be endorsed by a Hollywood actor. We must think big and globally. One should learn a very important lesson to learn from Israel. Though young in years and while defending itself in four major wars resisting combined Arab armies plus unrelenting attacks by terrorists upon Israeli civilians throughout its existence has contributed a lot to the world economy. It will not be an exaggeration to say that the world economy is run by Israeli economists and bankers. To be successful one should have the grit and determination to face opposition and discouragement. An entrepreneur also should have the fortitude to laugh, fight and win.

### From the Chief Editor's desk:

#### Entrance Examination:

Education institutions conduct entrance examination either written or oral to admit students in various courses. The level and intensity of these examinations vary according to the content, demand and requirements of the courses opted for. In India entrance examination began in 1857 when it was introduced by the University of Calcutta to determine the eligibility of students.

The purpose is to assess and evaluate a student's credentials and caliber for the course he or she has opted for. To complete a particular course and to pursue a career take a lot more than it looks at the surface level. To ensure that a student will successfully complete his course and be able to equip himself with the necessary skills to pursue a career of his choice, entrance examination is mandatory. Often, though not always, students are carried away by the demands or the attraction of a particular course that is in vogue with disastrous outcome. It can happen either they do not have the aptitude for that course or they wanting in necessary competencies and sometimes lack of passion for the same. In these cases the students are unable to complete the course which paves way for a sense of failure and incompetency, lack of confidence and interest, clinical depression and unwarranted anger – all with irreparable damage. Preparations taken prior to entrance examination will give them a clear understanding of what they really want to achieve and where they are really. The self-evaluation and assessment that follows will help them identify their true calling in life.

Vigorous preparation for entrance examination helps students realize where and what their true calling is thereby have a new and different insight into their inner self. It helps them make an in depth analysis of their inherent traits and this enables them to understand their forte and learn to fight with grit, determination and perseverance.

Superficial learning, knowledge and rote learning will not help clear an entrance examination. It warrants students' complete involvement and commitment. Awakening to new ideas is the resultant end of the ensuing rigorous preparation.

Being systematic, consistent and focused is the immediate benefit of entrance examination. With such a focus a student will be able to take up any enterprise and be successful. Entrance examination does not put to test one's knowledge in a particular field of study, but it serves as a touchstone to assess one's critical thinking analysis, reasoning power, analytical aptitude, thinking out of the box, numerical ability, logical reasoning and so on. Even before students begin a particular course, they are completely aware of what lies ahead, what is needed and the gap that exists between the required and existing set of skills. This helps in the formation of the right attitude and perspective and prepare themselves adequately.

Entrance examination is a great leveler and does not discriminate students based on caste, creed, religion or language. Everybody has an equal opportunity to prove his mettle and capacity. Students being admitted based on their performance in entrance examination will entertain no ill feeling and grudge and thereby fostering an environment replete with a sense of brotherhood breeding harmony and contentment. Such an environment promotes the spirit of research and study resulting in innovations, new inventions and discoveries.

**By:**

**Dr. Nikhil Zaveri**

**Director & Principal**

**SEMCOM.**

### **SEMCOM Updates:**

#### **Faculty Development Programme:**

SEMCOM faculty members attended Faculty Development Programme on 17th and 18th June 2014 that was held at the H. M. Patel Career Development Centre. The training covered different aspects of the teaching learning process and faculty members were greatly benefited to be updated with latest trends in education.

#### **New Academic Year 2014 – 2015:**

The new Academic Year 2014 – 2015 began on 16th June 2014 and teaching resumed on 23rd June 2014. The new Academic Year has brought in a lot of challenges giving the right attitude and perspective to learn, grow, progress and develop for all concerned. It has also begun on a new note of hope and enthusiasm.

#### **Orientation Programme:**

Orientation Programme for the first year students took place from 30th June 2014 to 4th July 2014. During the period of one week students were taught many things through lectures and film and they were taken on a tour to Amul Factory. These acquainted the students with their new environment and made the process of transition easy for them. They accommodated and adapted themselves to the new environs with grace and ease. It was coordinated by the Staff Secretaries, Mr. Renil Thomas and Mr. Yogesh Patel and the Class Counselors concerned. The Orientation Programme culminated in the Cultural Evening wherein students showcased their talents and skills and amused the audience with their theatrical, singing and dancing skills.

## Book Review:

### Human Resource Development in India (Conceptual Analysis and Strategies)

M. S. Tomar and B. S. Yadav

The book titled 'Human Resource Development in India (Conceptual Analysis and Strategies),' is authored jointly by Tomar M S and Yadav B S. It was published in 2010 by Shree Publishers and distributors, New Delhi, Hard bound, ISBN 9788183293495, Price Rs.1000/-

Human resource is the most important wealth of a nation. The phrase Human Resource Development (HRD) came in the news publicly in 1976 in a symposium organized in the former Soviet Union. Human Resource Development gained importance amongst economists in the late 1950s. Prof. Theodore W. Schultz of American Economic Association in his presidential address in 1960 concluded that investment in human resource development is more important to bring about accelerated economic growth with social justice than mere investment in physical capital.

Role of investment in human beings as an important determinant of economic development came to the forefront. Other than labour and capital the role of the third input, namely human resource development (HRD) into the production function and productivity has been identified.

The most important indicators of human resource development are:

- 1) Those which measure a country's stock of human capital; and
- 2) Those which measure the gross or net additions to the stock or more precisely, the rate of human capital formation over a specified time period.

The final objective of all economic efforts is human development. Human development report of UNDP (United Nations Development Programme) highlights the rapid growth of India since the late 1980s. In the 1990s India achieved 3.7% annual growth rate in per capita GDP. With the Human Development Index in the first ever national human development report brought out by the planning commission of India, for the states and the union territories for the year 1981, 1991 and 2001. The human development index measures the overall achievement of a country in 3 basic dimensions of human development namely longevity and health, education and knowledge and decent standard of living. In 2004 India with a HDI value of 0.611 ranks 126th out of 177 countries in terms of human development. Its position improved from 138th in 1994 but there is still a long way to go. With this back drop the book takes an analytic view of economic reforms, economic growth and human development in India.

It has been realized that rapid rate of human capital formation is a prerequisite for economic growth and development. Human resources are as important as the material resources in the process of economic development. Therefore human resources have become a critical factor in developing countries like India. In this background the book assumes great significance. The book includes eight chapters.

The introductory chapter brings out the concept and significance of human resource development. Authors draw extensively from outstanding economists such as Simon Kuznets, Alfred Marshall and Arthur Lewis. All of them agreed on the fact that human resource and human capabilities are initiative, enterprise, capacity for sustained work, interest and attitude towards work and their correlation with output and productivity. Therefore to them human resource development is the process of promotion of human capabilities of the population of a country. The chapter also includes the purpose and scope of the study, review of literature, objectives of the study, hypothesis of the study and limitation of the study. The study is based on the three hypothesis:

- 1) Human developments have been playing an immense role in the development of Indian economy.
- 2) More human resources are responsible to increase inequality, poverty, inadequate

health facilities, low level of livings, less health facilities and low social development in Indian economy.

- 3) Economic reforms launched since 1991 have been playing a pivotal role in transforming Indian economy at the global level.

For measuring the human development the book takes into account literacy, life expectancy, per capita income, quality of life, education, poverty eradication, urbanization, enrollment ration, clean drinking water, sanitation facilities and good housing facilities, accessibility to facilities such as electricity, television, newspaper etc. Using the UNDP methodology the HDI has been calculated for 15 major states of the country from 1992-2001, states are ranked according to their domestic products index.

Second chapter deals with the conceptual analysis. Under the conceptual analysis the chapter deals with economic development, human development, human resource development, sustainable development, liberalization, privatization, globalization and economic reforms. The chapter includes methodology, tools of data collection, and research design tools of analysis used in the study.

Chapter Three brings out the contrast between economic growth and economic development along with the classical and the modern view. As we know Schumpeter and Kindleberger

distinguished between economic development and economic progress. Growth is equal to more output and development is equal to economic welfare. In another word distributive growth is equal to development. The book also elaborates the concepts and components of human development. In comparative analysis between economic and human development the authors present various indicators related to India, Bangladesh, Pakistan and Sri Lanka. Also indicators of economic and human development for the states of India are presented. The chapter illustrates economic and non-economic factors responsible for economic development. The most important non-economic factor is human resource development. The conclusion of the chapter draws heavily on Amartya Sen and says that economic growth necessarily do not bring about human resource development.

Chapter Four includes the methods of measurement of human development. One of the major factors influencing the human resource development is the human development index. This chapter presents human poverty index, technology achievement index, education deprivation index, per capita state domestic product deprivation index etc. in selected Indian states from 1981 to 2002. Criteria for HDI are life expectancy at birth, adult literacy rate, gross enrolment ratio and GDP per capita. The chapter

illustrates the HDI of major countries in the world. The chapter also brings out gender related development index wherein it includes female life expectancy at birth, female adult literacy rate, female gross enrolment ratio and female GDP per capita. Further the chapter also provides the deprivation data.

Chapter Five presents the interstate comparison of human development in India for 15 major states from 1998 to 2002. Exhaustive tables containing selected indicators of human development for major states are shown. Indicators such as life expectancy, infant mortality rate birth rate, death rate, quality of life, poverty, urbanization, rural urban disparity, access to safe drinking water electricity connection, sanitation facilities, types of houses etc. are shown as the variable for measurement of human development amongst the states of India. Various indices such as life expectancy, net state domestic product, literacy rate, quality of life, poverty eradication, urbanization are calculated and finally human development index is calculated using all these indices. The methodology is based on the one adopted by UNDP. The study finds that Kerala, Punjab, Maharashtra, Tamil Nadu and Haryana are in the category of high human development.

Chapter Six presents details about the evolution of economic reforms, post reform scenario in terms of economic growth along with GDP, NNP, per capita

income, ICOR from 1st plan to 10th plan. The chapter also includes macroeconomic parameters during 10th plan and from 1991-2002-03. Revenue and fiscal deficit, tax reforms, position of India's external debt, agricultural growth, impact of reforms on generating employment and reduction of poverty, economic growth and industrial growth, infrastructure growth, FDI growth etc. are presented using GDP growth rate, productivity. The study concludes that there is a wide spread disparities between forward and backward states. Progress of human development in India witnessed a shift of development planning to per capita income for enhancement of human well-being. One of the major hurdles to progress of human development from 1975-2001 is the growth of population in India.

Chapter seven deals with the progress of human development in India. To bring out the progress of human development the authors have analyzed indicators such as health indicators, gender related indicators and economic indicators to prove that during the reference period there is substantial improvement in the human development index.

The last chapter gives conclusion and suggestions for human development in India.

Some of the conclusions are:

- Creation of 1 crore employment opportunities per year,
- Thrust on female literacy and primary education,
- ▲ Provision of primary health services,
- Stabilization of population growth,
- Greater attention to welfare and child care services
- Provision of clean drinking water
- Rural connectivity through all-weather roads
- ▲ Vocation training
- Provision of remunerative employment
- Equitable distribution of income and economic opportunities,
- Access to productive assets,
- Investment in education, health and skills training

Suggestions include:

- Cut in military spending
- ▲ Privatization of public sector assets
- ▲ Anti-poverty programs
- Increase in human development

The book is based on the research study by the authors where they have tried placing the data available from various sources. The book includes very exhaustive data. The book will prove to be a

good source of information for beginners in the area of Human Resource Development in India. On the whole the book provides the method of calculation of most of the indices calculated by various agencies including UNDP for India along with the raw data used for the calculation at one place.

**By:**

**Dr. Waheeda Sheikh**

**Assistant Professor**

**SEMCOM.**

## **Book Review:**

### **FIVE POINT SOMEONE – WHAT NOT TO DO AT IIT!**

**Chetan Bhagat**

#### **About the Author:**

Chetan Bhagat is the author of the following blockbuster novels:

- Five Point Someone – What not to do at IIT! (2004)
- One Night @ the Call Center (2005)
- The 3 Mistakes of My Life (2008)
- 2 States – The story of my marriage.

Chetan also writes various columns for leading English and Hindi newspapers, focusing on youth and national development. Many of the issues raised by Chetan's columns have been discussed in Parliament and among the top leadership of the country.

New York Times called him the "biggest selling English language novelist in India's history".

#### **Publication Details:**

### **"Five Point someone" – What not to do at IIT!**

First in Rupa Paperback 2004

149th Impression 2009

Published by Rupa Co., New Delhi, 110002 Price

(India): Hardcover Rs 295, Paperback Rs 95

Pages: 270

Written by Chetan Bhagat

'Five Point Someone' is a story about three friends in IIT who are unable to cope. In other words it describes how bad things can get if you do not think straight.

This book has inspired one of the best Bollywood films – '3 Idiots'.

### About the Cover:

The three gears represent Hari, Alok and Ryan, while the flower represents Neha. Also, gears need to mesh together to work, representing Hari, Alok and Ryan's friendship.

The white color of the cover represents simplicity, as seen in the writing style of the book. The definition of friendship spread all over reinforces the theme of the book.

### About the Book:

The book starts with a disclaimer, "This is not a book to teach you how to get into IIT or even how to live in college. In fact, it describes how screwed up things can get if you do not think straight".

The book has three protagonists – Alok, Hari and Ryan, and is presented as a narrative of their experiences at IIT by Hari. The story describes the ups and downs of their college life which include their low scores and the way they are perceived by students and professors on the account of their scores, their tactics to beat the academic system including trying to steal their HoDs cabin and many such anecdotal as well as serious experiences.

### About the Protagonists:

The novel has been written from the point of view of the narrator called Hari Kumar. Hari is fat, not very bright intellectually and a confused guy who makes it to IIT. He is fascinated by his friend Ryan who is carefree, confident, and smart with athlete

structure. All he wants to do is be like Ryan and can never say "no" to him.

Ryan Oberoi is rich, brilliant, creative with full of new ideas who loves engineering. But he hates the education system as he feels it does not encourage original ideas and offers no scope for innovation. Moreover the system also judges students on the basis of their ability to memorize theoretical aspects and the grades they get.

Alok Gupta is poor, has paralytic dad and an elder sister of marriageable age. His mother is the sole bread earner in the household and always looks for

Alok's help. Alok wants to be an artist but decides to join the IIT because he feels that it is the only way he can get a good job and support his family.

Neha happens to be the daughter of Prof. Cherian, the domineering head of the Mechanical Engineering Department. Despite this, Hari attempts to woo Neha and eventually they fall in love.

### The Story:

IIT's use a unique method of evaluating students called Grade Point Average or GPA. The score one gets is based on the performance of the entire class (it is not an absolute score). The top performer would get somewhere in high 9 point something and the bottom performers would be in 5 point something. Such people are disdainfully referred to as 5 pointers and thus the title of the book, Five Point Someone.

The novel is set in the Indian Institute of Technology, Delhi during the period of 1991 to 1995. It is about the adventures of three mechanical engineering students and friends, Hari (the narrator), Ryan and Alok. Ryan is smart and

outspoken, whereas Alok and Hari are crybabies and are willing to follow Ryan.

The book is narrated by Hari, with some small passages by his friends Ryan and Alok, as well as a letter by Hari's girlfriend Neha Cherian. The story revolves around their lives on campus starting from their elation on making it to one of the best engineering colleges in India which is quickly deflated by the rigor and monotony of academic work.

Most of the book deals with the numerous attempts by the trio to cope with and/or beat the system as well as Hari's fling with Neha who just happens to be the daughter of Prof. Cherian, the domineering head of the Mechanical Engineering Department. While the tone of the novel is humorous, it takes some dark turns every now and then, especially when it comes to the families of the protagonists. Most of the action, however, takes place inside the campus as the boys, led by the ever creative Ryan, frequently lamenting how the internationally lauded IIT system has stifled their creativity by forcing them to value grades more than anything else. Uninspiring teaching and numerous assignments add to their woes, though the boys do find a sympathizer in Prof. Veera, the new professor of fluid mechanics.

### Summary and Conclusion:

'Five Point Someone' is a tale of three friends who come together at IIT. It unfolds in the action-packed four year period from their entry to graduation. There are certain aspects of the book and the author's writing which I feel are good.

First, the language is authentic and very simple. The narration of Hari is often presented in dialogue which conveys a sense of continuity and oneness.

Also, his portrayal of typical college life (and not

just IITs) is universal with commonly used lingo like 'insti', 'disco' etc.

The author has also added a blend of college romance, academic struggle and the confusion of what to do next in a very entertaining manner, spiced up with a task-master teacher and a smart mentor. The title of course is based on grading systems in IITs, where five pointers are among the laggards in a class. The grade becomes almost a caste system that one has to live with for the rest of one's life!

It is a novel which would make you laugh and for those who have stayed in hostel, this novel would make you take a ride back to your memory lane. The most important thing of this novel is that it addresses serious issues like the Indian academic system and its pressures, peer pressure, ragging, etc. But it is represented very skillfully and with a funny touch.

What I liked about the book is that it does not try to justify or give excuses for the wrong doings of the protagonist. They are far less than perfect people, yet you come to like them and therein lies the greatness of the author.

The convocation speech at the end effectively summarizes the message of this book – 'to believe in self regardless of the social parameters of success', the importance of family, friends, personal goals and ambitions', 'not judging people quickly as well as based on their material success' and lastly, 'to not to take oneself very seriously'.

**By:**

**Mr. Chetan Patel**

**Assistant Professor**

**SECOM.**

## Article: Education Technology

### About the Author:

**Dr. M. K. Raina** (M.A., M.Ed., Ph.D.) is currently working as the Director of a Professional Coaching and Teaching Institute in Jamshedpur. He taught in various postgraduate and graduate institutions from 1960 to 1983. He has 10 books and more than 42 articles published in various professional journals in India and 16 articles published in International professional journals abroad.

### Introduction:

Educational Technology has an important role to play in all educational pursuits. According to G.O.

Leith, "Educational Technology is the application of scientific knowledge about learning and the conditions of learning to improve the effectiveness and efficiency of teaching and training". It has undergone many innovations which have enriched the process of imparting and acquiring of education. The volume under review is one step ahead in understanding Educational Technology from its core. It provides the very foundation of the theme and appropriately builds the basis of education with technological intervention.

### Review of the Book:

'Education Technology' traces a meaningful historical context of educational technology and concludes with a general appraisal. Some roots have spread while others have withered or stopped growing altogether. To him behavioural science branch appears to be increasingly dominant and to have excellent prospects for future growth of educational technology.

The book highlights the approaches of Education Technology like Hardware Approach, Software

Approach and System Approach and how it works with respect to Teaching-Learning Process. It also covers the different teaching devices and how each of it will facilitate effective teaching. The book focuses on Modern Education Technology and the cultural effect of computer technology with the support of a book authored by David Bolter.

The book explains the different teaching techniques or methods used at various levels for successful teaching and factors that affect the teaching process. It has also covered latest methods like Integration Method, Development Method and Project Method. Internet based education and the role of students, faculties and institution in technology based education is very well defined. It also covers new model for assuring quality of education in the new era.

The author talks about computer education in training and specifies the teacher's role and teacher's training program in the event of use of computers in education. It also highlights the contributions to be made by the teacher for the overall personality development of students. The concept of Micro-Teaching and its procedure, including all its merits and demerits is given in details. Not only the traits of a teacher with a very good six cluster Model of a Model Teacher is explained very nicely, it also discusses the different professional organization for the teacher in a very systematic manner. To conclude I would like to say that the book has wonderfully discussed 'Technology as Culture'.

### My Opinion of the Book:

While the individual chapter gives preliminary information in different areas, it looks as if there was a long gap between their writing and publication of the book, because the advances in the field of ICT and educational technology that

took place during the last decade, do not find place in any of the chapters. The references provided with the different chapters date as back as sixties, seventies and eighties. The book would have been even more effective if the updated information could have been provided. The different chapters deal with theoretical framework rather than the practical application of educational technology. The book has a lot of printing mistakes as well, and that affects the overall impact of the book.

The author has done a great deal of work related to educational technology, integrated discussion and examples.

**By:**

**Ms. Komal Mistry**

**Assistant Professor**

**SEMCOM.**

## **Fin\*intelligence**

### **Time Value of Money**

Money has time value. The idea behind time value of money is that a rupee now is worth more than rupee in the future. The relationship between the value of a rupee today and the value of a rupee in future is known as 'Time Value of Money'. A rupee received now can earn interest in future. An amount invested today has more value than the same amount invested at a later date because it can utilize the power of compounding. Compounding is the process by which interest is earned on interest. When a principal amount is invested, interest is earned on the principal during the first period or year. In the second period or year, interest is earned on the original principal plus the interest earned in the first period. Over time, this reinvestment process can help an amount to grow significantly. E.g. Let us suppose you are given two options: Receive Rs. 10,000 now OR Receive Rs. 10,000 after three years. Rationally, you would choose to receive Rs. 10,000 now instead of waiting for three years to get the same amount. So, the time value of money demonstrates that, all things being equal, it is better to have money now rather than later. By receiving Rs. 10,000 today, you are interested in increasing the future value of your money by investing and gaining interest over a period of time. For option B, you do not have time on your side and the payment received in three years would be your future value. Thus, money has a time value due to the following reasons:

- I. An investor can invest a rupee received today for a greater value to be received tomorrow or after a certain period.
- II. Generally, individuals prefer current consumptions.
- III. The money received today would have greater purchasing power than the same to be received in future during boom/inflation.

When individuals and organizations face the situations involving cash receipts and disbursements over several periods of time, the time value of money becomes very important in decision-making.

Suppose in the above illustration, if you choose option A, your future value will be Rs. 10,000 plus any interest acquired over the three years. The future value for option B, on the other hand, would only be Rs. 10,000. This clearly illustrates that value of money received today is worth more than the same amount received in future since the amount can be invested today and generate returns.

Because money has a time value, it gives rise to the concept of interest. Interest can be considered as rent for the use of money. If you want to use my money for a year, I will require that you pay me a fee for the use of the money. The size of the rental rate or user fee is the interest rate. If the interest rate is 10%, then the rental rate for using Rs. 100 for the year is Rs.10.

#### Inflation and Time Value of Money

Inflation is an overall general rise in the price level for goods and services. With inflation the purchasing power of cash flows over a time line declines at the rate of inflation. One measure of inflation is the Consumer Price Index (CPI). The annualized percentage increases in the CPI are a measure of the rate of inflation. Consumers and investors are concerned about the real value of Re. 1 or the purchasing power of the rupee or investment return in a period of time. Actual interest rates are called nominal interest rates. Bonds, loans, and most financial contracts are quoted in nominal interest rates. Nominal rates, adjusted for inflation in a period, are real interest rates, or the rate at which the purchasing power of an investment increases.

The real rate of interest is calculated as follows:

$$1 + \text{real interest rate} = \frac{1 + \text{nominal rate}}{1 + \text{inflation rate}}$$

The approximate realized real rate is the nominal rate minus the inflation rate for the period. Investors and lenders include expected inflation rates in nominal rates to compensate for the loss of purchasing power. Nominal rates include expected real rates of return plus expected inflation rates. Since nominal rates include real rates plus expected inflation, discounting nominal future cash flows by nominal rates will give the same answer as discounting real, expected inflation adjusted cash flows by the real interest rate. Current cash flows must be discounted by the nominal interest rate; real cash flows must be discounted by the real interest rate.

There are two techniques for adjusting time value of money:

1. Compounding/Future Value Techniques
2. Discounting/Present Value Techniques

The value of money at a future date with a given interest rate is called future value. Similarly, the value of money today that is receivable or payable in future is called present value.

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## e-ATTACKS:

**Blaster (2003):**Blaster, also known as Lovsan or MSBlast, was released in the summer of 2003. After detection on 11th August, within 2 days it reached its peak. The virus transmitted itself through network and Internet. The code was hidden in executable MSBlast.exe, which exploited the vulnerability of Windows 2000/XP systems. It presented a dialog box to the user saying that the system shutdown was pending. The virus' executable contained message ""I just want to say LOVE YOU SAN!!" and "Billy gates why do you make this possible? Stop making money and fix your software!!". The code was supposed to trigger a Distributed Denial of Service (DDoS) on the windowsupdate.com on April 15. But, before it could come into action, it was already contained. The estimated damage was almost \$320 Million.

**PoisonIvy (2005):**PoisonIvy is a remote access Trojan that could allow an attacker to control an infected computer from different remote locations secretly through a backdoor. It used stealth techniques to hide itself from being uncovered.

The attacker could then control the user's computer by activating various connected peripheral devices like the computer's speaker and webcam to record audio and video or could even manipulate the content of that computer. It could read and modify files, registry, and processes and also take screenshots of the desktop, install or disable devices, etc. It can affect a computer accessing malicious website or a genuine site which has been attacked, free downloads or e-mail attachments. It was used in attacks against many firms including the defense and chemical industries. The origins were identified from China.

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## ManageAnt:

### International Product Life Cycle (IPLC)

The life cycle begins when a developed country, having a new product to satisfy consumer needs, wants to exploit its technological breakthrough by selling abroad. Efficiency/comparative advantage shifts from developed countries to developing nations.

There are five distinct stages (Stage 0 to Stage4) in the IPLC. It can be shown on a graph by three life-cycle curves for the same innovation: one for the initiating country (e.g. The United States), one for the other advanced nations, and one for LDCs (Less Developed Nations).

**Stage 0 - Local Innovation:** Stage 0 represents a regular and highly familiar product lifecycle in operation within its original market. Innovations are most likely to occur in highly developed countries because consumers in such countries are affluent and have relatively unlimited wants. From the supply side, firms in advanced nations have both the technological know-how and abundant capital to develop new products.

### **Stage 1 - Overseas Innovation:**

This stage is known as an international introduction stage.

- Competition in this stage usually comes from the initiating country (US Firms), since firms in other countries may not have much knowledge about the innovation.
- Production cost tends to be decreasing at this stage.

## **Stage 2 – Maturity:**

Growing demand in advanced nations provides a force for firms there to commit themselves to starting local production

- The innovating firm's sales and export volumes are kept stable because LDCs are now beginning to generate a need for the product.
- Introduction of the product in LDCs helps compensate any reduction in export sales to advanced countries.

## **Stage 3 - Worldwide Imitation:**

This stage means tough times for the innovating nation because of its continuous decline in exports. There is no more new demand anywhere to cultivate.

- Consequently, firms in other advanced nations use their lower prices (coupled with product-differentiation techniques) to gain more consumer acceptance abroad at the expense of the U.S. firm.

## **Stage 4 – Reversal:**

Product standardization and comparative disadvantage are the major features.

- The innovating country's comparative advantage has disappeared, and comparative disadvantage is left. Strong advantage possessed by LDCs.
- Thus, LDCs the last imitators establish sufficient productive facilities to satisfy their own domestic needs as well as to produce for the biggest market in the world.

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## **CommuniCare:**

### **Teaching Novels to Management Students**

Like every time, this month too, I had to think a lot what to write for my next CommuniCare. As I returned from my BBA class, where I had tough time convincing students the need to study novel, I came up with the following idea.

Students of Business Administration, often think why they should study literature, especially, at the college level. I strongly endorse the fact that literature is useful in all walks of life. And as a manager you will have to be 'humane' and handle 'humans' and hence it is very important for you to develop life skills. It is an undeniable truth that whenever we have a problem, we try to find the solution in literature. As every forthcoming human generation is not going to taste the sour and sweet fruits of life they will have to learn lessons from history as we have done. And here I find the role of literature in life.

As, 'The Lord of the Flies' teaches that if the basic instincts of a man are not trained and tamed by social laws, man would become a barbarian. 'The Old Man and the Sea' is an example of man's continuous struggle against nature's force. As truly said by Hemmingway, 'Man can be destroyed but cannot be defeated'. With life posing a lot of uncertainty and challenges, Managers will have to pave way towards coordination and teamwork. A self-motivated person only can do these. And that motivation comes from a lot of values imbibed within the person. The novel teaches how a small fisherman has huge values. He does not want Manolin to steal sardines for him nor would he like to borrow money for coffee as he believes, 'first you borrow and then you beg'. He never compromises with his values. He knows he is a

'salao', the most unlucky man, but he also knows he is a 'strange old man' who knows many 'tricks' and has 'resolution'. He prefers to be 'exact', so when luck comes he can grab the opportunity. How many people today, who are failures, not

‘eighty four times’ but once, will have the patience to be like this!

Literature teaches us all these. He catches the

‘marlin’, but he talks to her. He apologizes before killing her. He sympathizes with the small birds who depend on sea. He talks with the birds, moon, sea etc. Do we talk to nature surrounding us? We have stopped being sensitive to natural phenomenon, and hence, we have become more ‘inhuman’.

The purpose of teaching literature to management student is all these. If we can make self-motivated, honest, concerned, tolerable managers then it serves the purpose in real sense.

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**My Voice:**

### **FIFA World Cup 2014**

Life is a great leveler, the current World Cup started with a shocking defeat of 2010 World Cup champions, Spain, by Netherlands. Netherlands beats Spain 5-1. In the 2010 World Cup final Spain defeated Netherlands to lift the FIFA World Cup trophy. The current World Cup championship produced some astonishing results. In the group that consists of Italy, Uruguay, England and Costa Rica, the minnows Costa Rica defeated Uruguay and Italy and drew with England to qualify as the first team from the group, Uruguay qualified as the second team and the former champions Italy and England were knocked out of the Championship.

One other interesting aspect of the ongoing tournament is that teams, after taking lead, played defensively or who played for the draw result, invariably lost the match. Football is a game where momentum matters a lot and losing the momentum may also mean losing the match. Then there are players who justified their super-star status in soccer world, by scoring fabulous goals. A few such players are Lionel Messi of Argentina, Neymar of Brazil, Arjen Robben, Robin Van Persie and Wesley Sneijder of Netherland.

In the ongoing tournament, the Netherlands have played brilliantly and on many occasions came out of goal deficit to win the match. Strategy, skill, spirit and never give up attitude are what count to get favorable result in the tournament. The FIFA soccer World Cup trophy in the past has been won majorly either by the South or Latin American countries like Brazil, Argentina and Uruguay or European soccer teams like Germany, Italy, Spain, France and England. Though early to predict, the top contenders to lift the FIFA soccer World Cup trophy, looking at their form and performance, are Netherlands, Brazil, Germany, France and Argentina. Football is a game full of surprises and it is also possible that the team least considered to win the championship, may actually win the championship or may end up as runners-up. The

team that plays better soccer on the day, wins the match and it is the current mantra of soccer, as many of the top ten teams of world football are knocked out of the current FIFA soccer World Cup 2014.

Soccer is also a game of strong nerves and bit of luck, which are vital at the time of deciding the match by penalty shoot-out, when both the teams are at equal score at the end of regular play and extra time. Soccer is a global sport and three Asian teams which qualified from Asia for the 2014 FIFA soccer championships are Iran, South Korea and Japan. The biggest achievement of Asia in world soccer was South Korea making it to the 2002 soccer World Cup semi-final where they lost by a solitary goal to Germany. South Korea finished fourth in 2002 FIFA soccer World Cup, the best result achieved by any Asian team.

In sports like cricket, there is extensive use of technology, so as to get fair result. In soccer also there is the need to use technology, so as to avoid the outcome of the match being decided or influenced by poor refereeing. Players should also show sportsmanship and understand that winning championship in ethical way is far more important than winning the championship by following questionable practices like intentionally diving in the penalty area so as to get penalty shot against the rival team. Players indulging in such theatrics must be directly shown red card by the referee, to send the strong message that cheating is strictly disallowed and let the outcome of the match be decided in a fair way.

The era of Tiki-taka and Spain's dominance in soccer world, whether it has ended or not, only time will tell. But the fact is that it was pure delight to watch Spain play Tiki-taka, retain ball possession and beat their rivals with superior game, strategy and skills. Players like Andres Iniesta, Xavi Hernandez, Sergio Ramos, David Villa, Fernando Torres, Fabregas, and Iker Casillas and rest of the Spanish squad which won the FIFA World Cup in

2010 and successive UEFA Euro Championships in year 2008 and 2012 will be remembered for the quality of their game. Use of technology in soccer will definitely ensure fair result based on fair play and the team playing better soccer winning the match and championship.

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HR StuffNPuff :

## LABOUR LEGISLATIONS IN INDIA - IV

### “Employee State Insurance Scheme”

The Government of India, in order to create health insurance scheme for industrial workers, enacted Employee State Insurance Act (ESI Act) 1948. The Act came into force on 25th February 1952. Initially the act was applicable to workers working in factories and companies only. Later the scope was widened to include more areas. At present, the Act is applicable to all establishments having 10 or more workers including educational institutions, hospitals, etc., covering 15.5 million employees working with about 450,000 employers.

As per ESI Act 1948, Employee State Insurance Scheme, is a self-financing social security and health insurance scheme for Indian workers. Here, the employer contributes 4.75 percentage and employee contributes 1.75 percentage per month for creating a fund. This fund is managed by the ESI Corporation (ESIC) according to the rules and regulations stipulated in the ESI Act 1948.

In the ESI scheme, a worker who is registered under the Act for various benefits is called insured person (IP). Such workers and their family members are entitled to different types of benefits. These benefits are broadly classified into two categories: (1) Medical benefits and (2) Cash benefits.

According to section 46 of the Act envisages the following six social security benefits:

**(a) Medical Benefit:** Full medical care is provided to an Insured person and his family members from the day he enters the insurable employment. There is no ceiling on expenditure on the treatment of an Insured Person or his family member. Medical care is also provided to retired and permanently disabled insured persons and their spouses on payment of a token annual premium of Rs.120/- .

**(b) Sickness Benefit (SB):** Sickness Benefit in the form of cash compensation at the rate of 70 per cent of wages that is payable to insured workers during periods of certified sickness for a maximum of 91 days in a year. In order to qualify for sickness benefit the insured worker is required to contribute for 78 days in a contribution period of 6 months.

**Extended Sickness Benefit (ESB):** SB extendable up to two years in the case of 34 malignant and long-term diseases at an enhanced rate of 80 per cent of wages.

**Enhanced Sickness Benefit:** Enhanced Sickness Benefit equal to full wage is payable to insured persons undergoing sterilization for 7 days/14 days for male and female workers respectively.

### **(c) Maternity Benefit (MB): Maternity**

Benefit for confinement/pregnancy is payable for three months, which is extendable by further one month on medical advice at the rate of full wage subject to contribution for 70 days in the preceding year.

### **(d) Disablement Benefit**

#### **Temporary Disablement Benefit (TDB):**

From day one of entering insurable employment and irrespective of having paid any contribution in case of employment injury. Temporary Disablement Benefit at the rate of 90% of wage is payable as long as the disability continues.

#### **Permanent disablement benefit (PDB):**

The benefit is paid at the rate of 90% of wages in the form of monthly payment depending upon the extent of loss of earning capacity as certified by a Medical Board

**(e) Dependents' Benefit (DB):** It is paid at the rate of 90% of wages in the form of monthly payment to the dependents of a deceased Insured Person in cases where death occurs due to employment injury or occupational hazards.

## (f) Other Benefits:

**Funeral Expenses:** An amount of Rs.10, 000/- is payable to the dependents or to the person who performs the last rites from day one of entering insurable employment.

**Confinement Expenses:** An Insured Women or an I.P. in respect of his wife in case confinement occurs at a place where necessary medical facilities under ESI scheme are not available.

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## Accounting Aura:

Till now, I have covered the basics of accounting and usage of IT in the modern accounting systems. Now, from this article onwards, I will try to touch the latest developments in the field of accounting. In this article I will focus on some important aspects of the recently published Companies Bill, 2013.

## Key highlights

Depreciation rates in the 2013 Act are indicative in nature. Revenue-based amortization permitted for toll road intangible assets under service concession. With respect to related parties in relation to the company, the coverage of related parties rationalized to include only directors and key managerial personnel of the company and its holding company, and not its subsidiary and associate companies. Further, senior management personnel are no longer covered as related parties. Definition of relative changed to cover fewer relationships. Limits for approaching the shareholders to seek an approval for related party transaction has been revised upwards such that shareholder approval is a higher bar.

Exemption for inter-corporate loans and guarantees, in respect of certain loans to subsidiaries subject to certain conditions. The limits for appointment of internal auditor, women director, independent director and setting up of committees have undergone a change. Definition of total share capital in the context of meaning of subsidiary and associate now includes only equity and convertible preference share capital. Scope of internal control seems to have been restricted to those with reference to financial statements as against covering operational aspects as well E-voting is now mandatory for listed companies and other companies having less than 1,000 shareholders.

## Key changes in final rules

The 2013 Act places a lot of emphasis on related party transactions. The 2013 Act, in keeping with the spirit of raising the bar on governance, prescribes rather onerous requirements for related party transactions. The final Rules make several important changes summarized as under:

The draft Rules had a very wide coverage of related parties spanning holding, subsidiary, and associate companies. The final Rules rationalize the coverage to include only directors and key managerial personnel or his/her relative in relation to the company and its holding company. It does not include directors and key managerial personnel of subsidiary and associate companies. Further, the definition of related parties in the draft Rules included senior management personnel (one level below the board) including functional heads under related parties. This requirement has been dispensed with in the final Rules.

The definition of relative has undergone a change, and now covers only eight relationships as against the 15 relationships in the draft Rules. Third generation of relatives – grandparents and grandchildren have been excluded from the list of relatives. However, the concept of financially dependent relatives has not been considered in the final Rules. In relation to the approval of the Board for related party transactions – management needs to provide basis of pricing and other commercial terms, as well as factors considered in determining the price and other related aspects considered irrelevant by them. This will compel management to maintain details and rationale in relation to determining the pricing and other terms of every transaction in order to demonstrate whether prices are at an arm's length.

The limits for obtaining prior approval of shareholders vide special resolution has undergone a change with the limits being enhanced in several cases. For example, the threshold limits for sale, purchase and supply of goods which was the higher of five per cent of annual turnover or 20 per cent of net worth, has been revised to more than 25 per cent of annual turnover, and in case of selling and buying property and availing or rendering of any services, the limit has been changed from five per cent of annual turnover or 20 per cent of net worth, to more than 10 per cent of net worth. This is a positive move to enhance the limits, since lower limits would have meant that companies would have had to approach the shareholders for their prior approval, for most related party transactions that are not at an arm's length or not in the ordinary course of business. No relief has been provided in the final Rules for transactions between fellow subsidiaries and transactions with a joint venture, where all the shareholders would be precluded from voting on the transactions. been provided in the final Rules for transactions between fellow subsidiaries and transactions with a joint venture, where all the shareholders would be precluded from voting on the transactions.

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## Contributors:

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